

# **DIRTT Environmental Solutions Ltd.**

Notice of Meeting

and Information Circular

in respect of the

Annual General and Special Meeting of Shareholders

to be held on May 3, 2017

March 21, 2017

## DIRTT ENVIRONMENTAL SOLUTIONS LTD.

### NOTICE OF MEETING

#### TO THE SHAREHOLDERS OF DIRTT ENVIRONMENTAL SOLUTIONS LTD.

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of DIRTT Environmental Solutions Ltd. (“**DIRTT**” or the “**Corporation**”) will be held at the main office of the Corporation at 7303 - 30th Street S.E., Calgary, Alberta, at 3:30 p.m. (Calgary time) on May 3, 2017 for the following purposes:

1. to receive the financial statements of the Corporation for the year ended December 31, 2016 and the auditor’s report thereon;
2. to elect the directors of the Corporation for the ensuing year;
3. to appoint the auditor of the Corporation for the ensuing year;
4. to approve the Corporation’s amended and restated shareholder rights plan; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

The Corporation is using the “notice and access” system adopted by the Canadian Securities Administrators for the delivery of: (i) its information circular dated March 21, 2017 (the “**Circular**”) and other proxy-related materials for the Meeting; and (ii) its financial statements for the year ended December 31, 2016 and related management discussion and analysis (collectively, the “**Meeting Materials**”). Shareholders can access the Meeting Materials online on SEDAR or at <http://www.envisionreports.com/DGDQ2017>. Shareholders can also request a paper copy of the Meeting Materials from the Corporation up to one year from the date the proxy-related materials are filed on SEDAR, by mail at 7303 – 30th Street S.E, Calgary, Alberta, T2C 1N6, by telephone at (403) 723-5000, or by email at [ir@dirtt.net](mailto:ir@dirtt.net). Use of the “notice and access” system reduces the cost and environmental impact of producing and distributing paper copies of documents in very large quantities.

The board of directors of the Corporation has fixed March 20, 2017 (the “**Record Date**”) as the record date. Only Shareholders of record at the close of business on the Record Date are entitled to notice of the Meeting and to vote thereat or at any adjournment(s) or postponement(s) thereof on the basis of one vote for each Common Share held, unless (i) that a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date, and (ii) the transferee Shareholder produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, no later than 10 days before the Meeting, that his or her name be included on the Shareholders list before the Meeting, in which case, the transferee Shareholder shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

Shareholders should refer to the Circular for more detailed information with respect to the matters to be considered at the Meeting. The Corporation encourages and reminds all Shareholders to review the Circular before voting.

**If you are a registered Shareholder** and are unable to attend the Meeting in person, please: (i) date, sign and return the accompanying form of proxy to the Corporation’s transfer agent Computershare Trust

Company of Canada, Proxy Department, by mail at 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, or by facsimile at (416) 263-9524 or 1 (866) 249-7775; or (ii) visit [www.investorvote.com](http://www.investorvote.com). To be valid, a properly executed form of proxy must be received by Computershare Trust Company of Canada not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment(s) or postponement(s) thereof.

**If you are not a registered Shareholder** and receive a voting instruction form through your broker or through another intermediary, please complete and return the voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) "Steve Parry"

Steve Parry, Chairman

March 21, 2017

## DIRTT ENVIRONMENTAL SOLUTIONS LTD.

### INFORMATION CIRCULAR

### PURPOSE OF SOLICITATION

This information circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of DIRTT Environmental Solutions Ltd. (“DIRTT”, the “Corporation”, “we”, “us” or “our”) for use at the annual general and special meeting (the “Meeting”) of the holders (the “Shareholders”) of common shares (“Common Shares”) of the Corporation.

The Meeting will be held at the main office of the Corporation at 7303 - 30th Street S.E., Calgary, Alberta, at 3:30 p.m. (Calgary time) on May 3, 2017, and at any adjournment(s) or postponement(s) thereof for the purposes set forth in the notice of meeting dated March 21, 2017 (the “Notice of Meeting”). Information contained herein is given as of March 21, 2017 unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of DIRTT who will not be additionally compensated thereof. The costs of soliciting proxies will be borne by DIRTT. The Corporation is not sending proxy-related materials directly to non-objecting beneficial Shareholders and it plans to have such materials distributed by intermediaries. The Corporation is paying intermediaries to send proxy-related materials to both non-objecting beneficial Shareholders and objecting beneficial Shareholders.

### NOTICE AND ACCESS

The Corporation is using the “notice and access” system adopted by the Canadian Securities Administrators for the delivery of: (i) this Circular and its other proxy-related materials for the Meeting; and (ii) its financial statements for the year ended December 31, 2016 and related management discussion and analysis (collectively, the “Meeting Materials”). Shareholders can access the Meeting Materials online at SEDAR or at <http://www.envisionreports.com/DGDQ2017>; or request a paper copy of the Meeting Materials up to one year from the date the proxy-related materials are filed on SEDAR, by mail at 7303 – 30th Street S.E, Calgary, Alberta, T2C 1N6, by telephone at (403) 723-5000, or by email at [ir@dirtt.net](mailto:ir@dirtt.net). Use of the “notice and access” system reduces the cost and environmental impact of producing and distributing paper copies of documents in very large quantities.

### APPOINTMENT AND REVOCATION OF PROXIES

An instrument of proxy was mailed to Shareholders. The persons named in the form of proxy are directors and/or executive officers of DIRTT. **A Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent him or her at the Meeting other than the persons designated in the form of proxy by inserting the name of his or her chosen nominee in the space provided for that purpose on the instrument of proxy and by striking out the printed names.**

An instrument of proxy will not be valid for the Meeting or any adjournment(s) or postponement(s) thereof unless it is signed by the Shareholder or by the Shareholder’s attorney authorized in writing or, if the Shareholder is a corporation, it is executed by a duly authorized officer or attorney thereof. The proxy, to be acted upon, must be returned to Computershare Trust Company of Canada, Proxy Department, by

mail at 135 West Beaver Creek, P.O. Box 300 Richmond Hill, Ontario, L4B 4R5, or by facsimile at (416) 263-9524 or 1 (866) 249-7775, no later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays), prior to the time of the Meeting or any adjournment(s) or postponement(s) thereof. Alternatively, Shareholders can visit [www.investorvote.com](http://www.investorvote.com) to transmit voting instructions.

A Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited with Computershare Trust Company of Canada at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof.

### **ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES**

The information set forth in this section is significant to many Shareholders, as a number of Shareholders do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (“**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of DIRT as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder’s name on the records of DIRT. Such Common Shares will more likely be registered under the names of the Shareholder’s broker or an agent of that broker. Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the instrument of proxy supplied to a Beneficial Shareholder by its broker is identical to the instrument of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit Broadridge’s dedicated voting website at <http://www.proxyvote.com> to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for a registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for a registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

### **VOTING OF PROXIES**

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the Common Shares represented by the proxy will be voted in accordance with such instructions. In the absence of any such instruction, the persons whose names appear on the form of proxy mailed to Shareholders will vote in favor of all the matters set out thereon. The form of proxy mailed to Shareholders confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting, then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.

At the time of the printing of this Circular, management of DIRTT knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The board of directors of DIRTT (the "**Board**") has fixed March 20, 2017 (the "**Record Date**") as the record date. Shareholders at the close of business on the Record Date are entitled to receive notice of the Meeting and to vote thereat or at any adjournment(s) or postponement(s) thereof on the basis of one vote for each Common Share held unless (i) that a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date, and (ii) the transferee Shareholder produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, no later than 10 days before the Meeting, that his or her name be included on the Shareholder list before the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

As of the date hereof, 85,017,027 Common Shares were issued and outstanding as fully paid and non-assessable.

To the knowledge of the directors and executive officers of DIRTT, as of the date hereof, no person, firm or corporation beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all of the Common Shares, other than set forth below:

<u>Shareholder Name</u>	<u>Type of Ownership</u>	<u>Number and Percentage of Shares Owned, Controlled or Directed on March 20, 2017</u>
Gilder, Gagnon Howe & Company LLC	Beneficial	10,492,255 (12.3%)

As of the date hereof, the directors and executive officers, as a group, beneficially owned, directly or indirectly, 2,822,359 Common Shares, representing approximately 3.3% of the issued and outstanding Common Shares.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON**

Management of DIRTT is not aware of any material interest of any director, proposed nominee for election as a director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

### **CORPORATE GOVERNANCE**

The Corporation's corporate governance practices are set out in Appendix "A" to this Circular.

### **ANNUAL GENERAL AND SPECIAL MEETING MATTERS**

#### **Presentation of Financial Statements**

The audited financial statements of the Corporation for the year ended December 31, 2016 and the auditor's report thereon will be received at the Meeting. The audited financial statements of the Corporation for the year ended December 31, 2016 and the auditor's report thereon are available on SEDAR and <http://www.dirtt.net/company/investor/financial>.

#### **Election of Directors**

At the Meeting, Shareholders will be asked to elect 10 directors to the Board until the close of the next annual meeting of Shareholders or until his or her successor is elected or appointed. In 2013, the Board adopted a majority voting policy. Unless there is a contested election, a director who receives more withhold votes than for votes will immediately offer to resign. The Corporate Governance Committee will review the matter and recommend to the Board whether to accept the resignation. Absent exceptional circumstances, the Corporate Governance Committee will recommend that the Board accept (and the Board will accept) the resignation of a director who receives more withhold votes than for votes. The director will not participate in any deliberations on the matter. In such case, the Board will publicly announce its decision within 90 days of the annual meeting. Shareholders should note that, as a result of the majority voting policy, a withhold vote is effectively the same as a vote against a director nominee in an uncontested election.

If, prior to the Meeting, any vacancies occur in the slate of proposed nominees herein submitted, the persons named in the form of proxy mailed to Shareholders intend to vote "FOR" the election of any substitute nominee or nominees recommended by management of DIRTT and "FOR" the remaining proposed nominees. Management of DIRTT has been informed that each of the proposed nominees listed below is willing to serve as a director if elected.

The term of office for each director is from the date of the Meeting until the next annual meeting or until his or her successor is elected or appointed.

<b>Mogens Smed</b>  Calgary, Alberta, Canada  Director Since: September 2003  Age: 69  Not Independent	<b>Principal Occupation (past 5 years)</b>					
	From May 2004 to present, CEO of DIRTT and from September 2003 to January 2012, President of DIRTT.					
	<b>Board/Committee Membership</b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		4 of 4	100%	4 of 4	100%
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
	<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>	
492,639		\$3,088,847		Y		
<b>Options Held</b>		339,584				

<b>Scott Jenkins</b>  Calgary, Alberta, Canada  Director Since: September 2013  Age: 42  Not Independent	<b>Principal Occupation (past 5 years)</b>					
	From January 2012 to present, President of DIRTT. Prior thereto, from January 2007 to January 2012, CFO of DIRTT.					
	<b>Board/Committee Membership<sup>(3)</sup></b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		4 of 4	100%	6 of 6	100%
	Corporate Governance Committee		2 of 2	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>		
270,020		\$1,693,025		Y		
<b>Options Held</b>		258,541				

<b>Wayne Boulais</b>  Chicago, Illinois, United States  Director Since: May 2015  Age: 53  Independent	<b>Principal Occupation (past 5 years)</b>					
	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.					
	<b>Board/Committee Membership</b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		4 of 4	100%	8 of 8	100%
	Audit Committee		4 of 4	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>		
24,000 <sup>(4)</sup>		\$150,480		Y		
<b>Options Held</b>		40,000				

<b>Gregory F. Burke</b>  New York, New York, United States  Director Since: May 2005  Age: 59  Independent	<b>Principal Occupation (past 5 years)</b>					
	From 1982 to present, President and CEO of Lane Office Furniture, Inc., a private full service furniture dealership company.					
	<b>Board/Committee Membership<sup>(5)</sup></b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		4 of 4	100%	5 of 5	100%
	Compensation Committee		1 of 1	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>		
325,500		\$2,040,885		Y		
<b>Options Held</b>		90,000				

<b>Lawrence D. Fairholm</b>  Montreal, Quebec, Canada  Director Since: May 2005  Age: 75  Independent	<b>Principal Occupation (past 5 years)</b>					
	From May 1978 to present, President of Fairholm Management Ltd., a private company providing corporate real estate, facilities and management consulting services.					
	<b>Board/Committee Membership</b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		3 of 4	75%	15 of 17	88%
	Audit Committee		3 of 4	75%		
	Compensation Committee		4 of 4	100%		
	Corporate Governance Committee		5 of 5	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>		
41,000		\$257,070		Y		
<b>Options Held</b>		90,000				

<b>Denise Karkkainen</b>  West Vancouver, British Columbia, Canada  Director Since: August 2015  Age: 53  Independent	<b>Principal Occupation (past 5 years)</b>					
	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.					
	<b>Board/Committee Membership<sup>(6)</sup></b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		4 of 4	100%	16 of 16	100%
	Audit Committee		4 of 4	100%		
	Compensation Committee		3 of 3	100%		
	Corporate Governance Committee		5 of 5	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>		
15,500		\$97,185		In Progress		
<b>Options Held</b>		40,000				

<b>Christine McGinley</b>  Calgary, Alberta, Canada  Director Since: November 2013  Age: 58  Independent	<b>Principal Occupation (past 5 years)</b>					
	From 2010 to present, Corporate Director.					
	<b>Board/Committee Membership</b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		3 of 4	75%	12 of 13	92%
	Audit Committee		4 of 4	100%		
	Corporate Governance Committee		5 of 5	100%		
	<b>Current Public Board Membership</b>					
	Northview Apartment REIT (TSX)					
	<b>Common Shares Held</b>					
	<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>	
9,650		\$60,506		In Progress		
<b>Options Held</b>		90,000				

<b>Steve Parry (Chairman)</b>  Tiny, Ontario, Canada  Director Since: December 2011  Age: 61  Independent	<b>Principal Occupation (past 5 years)</b>					
	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 clean tech venture capital firm.					
	<b>Board/Committee Membership</b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		4 of 4	100%	9 of 9	100%
	Corporate Governance Committee		5 of 5	100%		
	<b>Current Public Board Membership</b>					
	Grenville Strategic Royalty Corp. (TSX Venture Exchange)					
	<b>Common Shares Held</b>					
	<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>	
	13,100		\$82,137		In Progress	
<b>Options Held</b>		65,000				

<b>Diana Propper de Callejon</b>  New York, New York, United States  Director Since: March 2011  Age: 54  Independent	<b>Principal Occupation (past 5 years)</b>					
	From April 2014 to present, Managing Director of Cranemere Inc. Prior thereto, 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.					
	<b>Board/Committee Membership</b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		4 of 4	100%	8 of 8	100%
	Compensation Committee		4 of 4	100%		
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
	<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>	
	14,836		\$93,022		In Progress	
<b>Options Held</b>		50,164				

<b>Richard Haray</b>  New York, New York, United States  Director Since: November 2016  Age: 60  Independent	<b>Principal Occupation (past 5 years)</b>					
	From 2005 to present, Senior Vice President, Corporate Services of Interpublic Group.					
	<b>Board/Committee Membership<sup>(7)</sup></b>		<b>2016 Attendance</b>		<b>2016 Attendance (Total)</b>	
	Board		1 of 1	100%	1 of 1	100%
	<b>Current Public Board Membership</b>					
	None					
	<b>Common Shares Held</b>					
	<i>Common Shares<sup>(1)</sup></i>		<i>Total Value of Shareholding<sup>(2)</sup></i>		<i>Meets Share Ownership Targets? (Y/N/In Progress)</i>	
	Nil		\$Nil		In Progress	
	<b>Options Held</b>		25,000			

Notes:

- (1) Includes all Common Shares held by the spouse or children living in the same residence of such individual, corporations controlled by them or family trusts of such individual.
- (2) The value of the Common Shares held by the directors is calculated by multiplying the amount of Common Shares held by the December 31, 2016 Toronto Stock Exchange (“TSX”) closing price per Common Shares of \$6.27.
- (3) Mr. Scott Jenkins ceased to be a member of the Corporate Governance Committee effective June 2, 2016.
- (4) Mr. Wayne Boulais is the General Partner of Apex Venture Partners, which holds 3,939,925 Common Shares.
- (5) Mr. Gregory Burke ceased to be a member of the Compensation Committee effective August 3, 2016.
- (6) Ms. Denise Karkkainen became a member of the Compensation Committee effective August 3, 2016.
- (7) Mr. Richard Haray became a director effective November 8, 2016 and a member of the Compensation Committee effective December 16, 2016.

## Biographies

**Mogens Smed**, CEO and co-Founder of DIRTT, 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, a private company providing command-control infrastructure solutions. SMED International was sold to Haworth Inc. in 2000.

**Scott Jenkins**, President of DIRTT, has more than 20 years of experience with manufacturing and technology companies along with the financial management industry. Scott was named President of DIRTT in 2012 and prior to that served as CFO after joining DIRTT 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 a Master of Business Administration degree from the Massachusetts Institute of Technology as well as Master and Bachelor of Electrical Engineering degrees 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 DIRTT’s distribution partners that sells DIRTT’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 Master of 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.

### **Corporate Cease Trade Orders or Bankruptcies**

Except as set forth below, no proposed director of the Corporation has within the 10 years prior to the date hereof: (a) been a director or executive officer of any company that, (i) 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, (ii) while such person was acting in that capacity, was subject to an event that resulted, after the proposed director ceased to be a director or executive officer, in the company being 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 (iii) 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) has 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 proposed director.

Mr. Steve Parry was elected as a director of Energy and Power Solutions, Inc. ("**EPS**") in 2007 as the designee of NGEN III, L.P., NGEN II, L.P. and NGEN Mgt, LLC ("**NGEN Partners**"). EPS provided energy efficiency solutions to the industrial market. In September of 2011, EPS filed for bankruptcy protection pursuant to Chapter 11 of the U.S. Bankruptcy Code. Mr. Parry ceased to be a director in June of 2011 and, in January of 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, Mr. Parry 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 Mr. Parry 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

No proposed director of the Corporation 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 Shareholder in deciding whether to vote for a proposed director.

### Appointment of Auditor

At the Meeting, Shareholders will be asked to appoint Deloitte LLP, Chartered Accountants as the auditor of the Corporation until the close of the next annual meeting of Shareholders. Deloitte LLP was first appointed as the auditor of the Corporation on August 31, 2007.

The aggregate fees billed by our external auditors for the year ended December 31, 2015 and 2014 are as follows:

Nature of Services	December 31, 2016	December 31, 2015
Audit Fees (\$) <sup>(1)</sup>	465,240	518,955
Audit-Related Fees (\$) <sup>(2)</sup>	-	16,801
Tax Fees (\$) <sup>(3)</sup>	49,481	16,050
All Other Fees (\$)	-	-
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.

### Approval of Amended and Restated Shareholder Rights Plan

On April 3, 2014, the Board adopted a shareholder rights plan (the “**Original Rights Plan**”). In order to remain effective, the terms of the Original Rights Plan required that it be reconfirmed by Shareholders at every third annual meeting of Shareholders following the meeting at which the Original Rights Plan was initially confirmed. The Original Rights Plan was initially confirmed by Shareholders at the Corporation’s annual general and special meeting of shareholders held on May 13, 2014. On March 21, 2017, the Board adopted an amended and restated version of the Original Rights Plan (the “**Rights Plan**”) to reflect the proposed amendments discussed below.

On February 25, 2016, the Canadian Securities Administrators published certain amendments to the Canadian takeover bid regime (the “**Amendments**”) that will require that all non-exempt takeover bids:

- a) meet a minimum tender requirement where bidders must receive tenders of more than 50% of the outstanding securities that are subject to the bid and held by disinterested shareholders;
- b) remain open for a minimum deposit period of 105 days, unless the target board states in a news release an acceptable shorter deposit period of not less than 35 days, or the target board states in a news release that it has agreed to enter into a specific alternative transaction (such as a plan of arrangement) in which case the 35-day period would apply to all concurrent takeover bids; and
- c) be extended for an additional 10 days after the minimum tender requirement is met and all other terms and conditions of the bid have been complied with or waived.

Under the previous regime, non-exempt takeover bids were only required to remain open for 35 days and were not subject to any minimum tender requirement or an extension requirement once the bidder had taken up deposited securities. The Amendments became effective for all Canadian issuers on May 9, 2016.

The Original Rights Plan was adopted in order to: (i) prevent, to the extent possible, a “creeping takeover” of the Corporation (i.e. the acquisition of effective control through a number of purchases over time); (ii) provide the Corporation with additional time to pursue alternatives to maximize Shareholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding shares of the Corporation; and (iii) discourage certain discriminatory and coercive aspects of takeovers. A number of the initial purposes of the Original Rights Plan are no longer relevant as many of the protective features of Canadian shareholder rights plans, including the Original Rights Plan, have been adopted as part of the Amendments. The Amendments do not, however, address the risk of a “creeping takeover bid” where an acquiror may acquire a controlling position in an issuer in reliance on exemptions from the takeover bid requirements and without having to make a takeover bid to all Shareholders. As a result, the Board adopted the Rights Plan to attempt to prevent “creeping takeover bids” and the acquisition of control by a third party without paying an appropriate control premium.

### **Shareholder Approval**

At the Meeting, Shareholders will be asked to pass the following ordinary resolution approving the Rights Plan, subject to such amendments, variations or additions as may be approved at the Meeting:

#### **“BE IT RESOLVED THAT:**

1. the amended and restated shareholder rights plan agreement between the Corporation and Computershare Trust Company of Canada (the “Rights Agreement”) attached as Appendix “C” to the information circular of the Corporation dated March 21, 2017 is hereby ratified, confirmed and approved; and
2. any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

If approval is obtained at the Meeting, the Rights Plan will have effect as of the date of the Meeting. If approval is not obtained at the Meeting, the Corporation will not have a shareholder rights plan. The

Board reserves the right to alter any terms thereof or not to proceed with the Rights Plan at any time prior to the Meeting in the event that the Board determines, in light of subsequent developments, that to do so is in the best interests of the Corporation and the Shareholders.

### **Recommendation of the Board**

The Board unanimously recommends that Shareholders vote FOR the foregoing resolution.

The Board believes that the Rights Plan is consistent with the Amendments, current Canadian corporate best practices and institutional investor guidelines. Neither the Original Rights Plan nor the Rights Plan is intended to prevent a takeover of the Corporation. Re-confirmation of the Rights Plan is not being sought in response to, or in anticipation of, any pending or threatened takeover bid and the Board is not aware of any third party considering or preparing any proposal to acquire control of the Corporation.

### **Summary of the Rights Plan**

The Rights Plan has the terms set out in the amended and restated shareholder rights agreement (amending and restating the shareholder rights plan agreement dated as of April 3, 2014) attached as Appendix "C" (the "**Rights Agreement**") dated as of March 21, 2017 between the Corporation and Computershare Trust Company of Canada, as rights agent (the "**Rights Agent**").

The following summary of terms of the Rights Plan is qualified in its entirety by reference to the text of the Rights Agreement attached as Appendix "C". A copy of the Rights Agreement is available on SEDAR at <http://www.sedar.com>. A copy of the Original Rights Plan is also available on SEDAR.

### **Term**

The Rights Plan must be ratified at the time that the Meeting terminates (the "**Effective Date**") to remain in effect, and will expire at the time and on the date that the annual meeting of Shareholders to be held in 2020 terminates, subject to earlier termination or expiration of the Rights as set out in the Rights Plan.

### **Issuance of Rights**

The Rights Plan provides that one right (a "**Right**") will be issued by the Corporation pursuant to the Rights Agreement in respect of each Voting Share outstanding as of the close of business (Calgary time) (the "**Record Time**") on the Effective Date. "**Voting Shares**" include the Common Shares and any other shares in the capital of the Corporation entitled to vote generally in the election of all directors of the Corporation which may be issued from time to time. One Right will also be issued for each additional Voting Share issued after the Record Time and prior to the earlier of the Separation Time (as defined below) subject to the earlier termination or expiration of the Rights as set out in the Rights Agreement.

As of the date hereof, the only Voting Shares outstanding are the Common Shares. The issuance of the Rights is not dilutive and will not affect reported earnings or cash flow per share until the Rights separate from the underlying Common Shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which Shareholders currently trade their Common Shares.

## **Certificates and Transferability**

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Common Shares issued from and after the Record Time. Rights are also attached to Common Shares outstanding on the Effective Date, although share certificates issued prior to the Effective Date will not bear such a legend. Shareholders are not required to return their certificates in order to have the benefit of the Rights. Prior to the Separation Time, Rights will trade together with the Common Shares and will not be exercisable or transferable separately from the Common Shares. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates (as defined below) and will be transferable separately from the Common Shares.

## **Separation of Rights**

The Rights will become exercisable and begin to trade separately from the associated Common Shares at the “**Separation Time**” which is generally (subject to the ability of the Board to defer the Separation Time) the close of business on the tenth trading day after the earliest to occur of:

- a) a public announcement that a person or group of affiliated or associated persons or persons acting jointly or in concert has become an “**Acquiring Person**” meaning that such person or group has acquired Beneficial Ownership (as defined in the Rights Plan) of 20% or more of the outstanding Voting Shares other than as a result of (i) a reduction in the number of Voting Shares outstanding; (ii) a Permitted Bid or Competing Permitted Bid (as defined below); (iii) acquisitions of Voting Shares in respect of which the Board has waived the application of the Rights Agreement; (iv) other specified exempt acquisitions and pro rata acquisitions in which Shareholders participate on a pro rata basis; or (v) an acquisition by a person of Voting Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Share received by a person in the circumstances described in (ii), (iii) or (iv) above;
- b) the date of commencement of, or the first public announcement of an intention of any person (other than the Corporation or any of its subsidiaries) to commence a takeover bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Shares subject to the bid owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the outstanding Voting Shares; and
- c) the date upon which a Permitted Bid or Competing Permitted Bid ceases to qualify as such.

As soon as practicable following the Separation Time, separate certificates evidencing rights (“**Rights Certificates**”) will be mailed to the holders of record of the Voting Shares as of the Separation Time and the Rights Certificates alone will evidence the Rights. Unless the context otherwise requires, the term “Rights Certificate” shall include any other document or written acknowledgement that is evidence of registered ownership of the applicable securities as may be adopted from time to time by the Corporation, including without limitation a Direct Registration Advice.

## **Rights Exercise Privilege**

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at an initial exercise price equal to three times the market price at the Separation Time (provided that a Flip-in Event has not occurred). The “**Market Price**” is defined as the average of the daily closing prices per share

of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time. Following a transaction which results in a person becoming an Acquiring Person (a “**Flip-in Event**”), the Rights entitle the holder thereof to receive, upon exercise, such number of Common Shares which have an aggregate market value (as of the date of the Flip-in Event) equal to twice the then exercise price of the Rights. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and other acting jointly or in concert therewith), or a transferee of any such person, will be null and void. A Flip-in Event does not include acquisitions approved by the Board or acquisitions pursuant to a Permitted Bid or Competing Permitted Bid.

### **Permitted Bid Requirements**

A bidder can make a takeover bid and acquire Voting Shares without triggering a Flip-in Event under the Rights Plan if the takeover bid qualifies as a Permitted Bid. The requirements of a “**Permitted Bid**” include the following:

- a) the takeover bid must be made by means of a takeover bid circular;
- b) the takeover bid is made to all holders of Voting Shares, other than the Offeror;
- c) no Voting Shares are taken up or paid for pursuant to the takeover bid unless more than 50% of the Voting Shares held by Independent Shareholders: (i) have been deposited or tendered pursuant to the takeover bid and not withdrawn; and (ii) have previously been or are taken up at the same time;
- d) no Voting Shares are taken up or paid for pursuant to the takeover bid prior to the close of business on the date that is no earlier than the earlier of: (i) 105 days following the date of the takeover bid; and (ii) the last day of the initial deposit period that the Offeror must allow securities to be deposited under the takeover bid pursuant to National Instrument 62-104, *Take-Over Bids and Issuer Bids*;
- e) Voting Shares may be deposited pursuant to such takeover bid at any time during the period of time between the date of the takeover bid and the date on which Voting Shares may be taken up and paid for and any Voting Shares deposited pursuant to the takeover bid may be withdrawn until taken up and paid for; and
- f) if on the date on which Voting Shares may be taken up and paid for under the takeover bid, more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the takeover bid and not withdrawn, the Offeror makes a public announcement of that fact and the takeover bid is extended to remain open for deposits and tenders of Voting Shares for not less than ten Business Days from the date of such public announcement.

The Rights Plan also allows for a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it must remain open for acceptance until the last day on which the takeover bid must be open for acceptance after the date of that takeover bid under applicable Canadian provincial securities legislation.

## Permitted Lock-Up Agreements

A person will not become an Acquiring Person by virtue of having entered into an agreement (a “**Permitted Lock-Up Agreement**”) with a Shareholder whereby the Shareholder agrees to deposit or tender Voting Shares to a takeover bid (the “**Lock-Up Bid**”) made by such person, provided that the agreement meets certain requirements including:

- a) the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available not later than the date of the Lock-Up Bid or, if the Lock-Up Bid has not been made prior to the date on which such agreement is entered into, not later than the first business day following the date of such agreement;
- b) the Shareholder who has agreed to tender voting shares to the Lock-Up Bid made by the other party to the agreement is permitted to terminate its obligation under the agreement, and to terminate any obligation with respect to the voting of such Voting Shares, in order to tender Voting Shares to another takeover bid or transaction where: (i) the offer price or value of the consideration payable under the other takeover bid or transaction is greater than the price or value of the consideration per share at which the Shareholder has agreed to deposit or tender voting shares to the Lock-Up Bid, or is equal to or greater than a specified minimum which is not more than 7% higher than the price or value of the consideration per share at which the Shareholder has agreed to deposit or tender voting shares under the Lock-Up Bid; and (ii) if the number of Voting Shares offered to be purchased under the Lock-Up Bid is less than all of the Voting Shares held by Shareholders (excluding shares held by the offeror), the number of Voting Shares offered to be purchased under the other takeover bid or transaction (at an offer price not lower than in the Lock-Up Bid) is greater than the number of Voting Shares offered to be purchased under the Lock-Up Bid or is equal to or greater than a specified number which is not more than 7% higher than the number of voting shares offered to be purchased under the Lock-Up Bid; and
- c) no break-up fees, top-up fees, or other penalties that exceed in the aggregate the greater of 2.5% of the price or value of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration resulting from another takeover bid or transaction shall be payable by the Shareholder if the Shareholder fails to deposit or tender voting shares to the Lock-Up Bid.

## Waiver and Redemption

If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the Board to make a takeover bid by way of a takeover bid circular sent to all holders of Voting Shares on terms which the Board considers fair to all Shareholders. In such circumstances, the Board may waive the application of the Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the Rights Plan in respect of a particular takeover bid shall also constitute a waiver of any other takeover bid which is made by means of a takeover bid circular to all holders of voting shares while the initial takeover bid is outstanding. The Board may also waive the application of the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Voting Shares within 14 days or such earlier or later date as may be specified by the Board. With the prior consent of the holders of Voting Shares, the

Board may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Shares otherwise than pursuant to the foregoing, waive the application of the Rights Plan to such Flip-in Event.

The Board may, with the prior consent of the holders of Voting Shares, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the Board has waived the application of the Rights Plan.

### **Protection Against Dilution**

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, pro rata distributions to holders of Common Shares and other circumstances where adjustments are requirement to appropriately protect the interests of the holders of Rights.

### **Exemptions for Investment Advisors**

Investment advisors (for client accounts), trust companies (acting in their capacity as trustees or administrators), statutory bodies whose business includes the management of funds (for employee benefit plans, pension plans, or insurance plans of various public bodies) and administrators or trustees of registered pension plans or funds acquiring greater than 20% of the Voting Shares are exempted from triggering a Flip-in Event, provided they are not making, either alone or jointly or in concert with any other person, a takeover bid.

### **Duties of the Board**

The adoption of the Rights Plan will not in any way lessen or affect the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation. The Board, when a takeover bid or similar offer is made, will continue to have the duty and power to take such actions and make such recommendations to Shareholders as are considered appropriate.

### **Amendment**

The Corporation may, prior to the date of the Meeting, without the approval of the holders of Rights or Common Shares, supplement, amend, vary or delete any of the provisions of the Rights Agreement and may, after the date of the Meeting (provided the Rights Agreement is approved by Shareholders at such meeting) with the prior approval of Shareholders (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary or delete any of the provisions of the Rights Agreement. The Corporation may make amendments to the Rights Agreement at any time to correct any clerical or typographical error or, subject to confirmation at the next meeting of Shareholders, make amendments which are required to maintain the validity of the Rights Agreement due to changes in any applicable legislation, regulations or rules.

## Rights Plan

As noted above, the amendments to the Original Plan have been proposed in order to bring the Rights Plan in line with corporate best practices and institutional investor guidelines, and also to reflect the recent Amendments. The proposed amendments specifically include the following:

- the definition of “Beneficial Owner” has been amended to clarify that a Person who has a right to become the owner at law or in equity of any securities pursuant to a lock-up agreement or a similar agreement other than a Permitted Lock-up Agreement is a Beneficial Owner of such securities;
- the definitions of “Permitted Bid” and “Competing Permitted Bid” have been amended to reflect the new 105-day minimum deposit requirement under the new takeover bid rules;
- the references to “Multilateral Instrument 62-106, *Take-Over Bids and Issuer Bids*” have been replaced by “NI 62-104” to reflect the adoption of NI 62-104 in Ontario by the Ontario Securities Commission.

Apart from the above-mentioned amendments, and certain other amendments of a “house-keeping” nature for consistency, the Rights Plan is identical to the Original Rights Plan in all material respects.

## EXECUTIVE COMPENSATION

### Fellow Shareholders,

On behalf of the Human Resources and Compensation Committee (the “**Compensation Committee**”) and the Board, we are pleased to share our approach to executive compensation. The Board believes compensation programs and the related governance practices are cornerstones for aligning execution of long-term strategy and the interests of shareholders. In 2016, the Compensation Committee and the Board undertook a comprehensive review of compensation practices in order to align with good market practice and our high-growth profile as a disruptor in the construction industry. Details of the changes made following our in-depth review are summarized below and described in detail in the Compensation Discussion and Analysis section.

### 2016 Performance – A Record Year

DIRTT is committed to growth and it believes in its ability to disrupt traditional construction. November 28, 2016 marked three years as a publicly-traded company. In just three years, annual revenues grew from \$139.8 million in 2013 to \$267.0 million in 2016, with Adjusted EBITDA (defined below) growing from \$5.5 million to \$31.3 million in the same period. Despite the headwinds in the energy sector – previously representing DIRTT’s largest single industry segment by revenue – DIRTT achieved record revenues for three consecutive quarters, with annual 2016 revenues increasing by 12.8% over 2015.

DIRTT’s achievements since IPO stem from the growing momentum DIRTT is seeing in almost all of its industry segments, highlighting the success of its ongoing diversification strategies into complementary industries such as healthcare and education, and the acceleration of investments in new solutions and leading-edge technology, such as ICE Reality®. DIRTT has also increased investment in its distribution partners along with adding strategic sales, marketing and business development resources to strengthen its growth prospects throughout North America and abroad.

### Pay-for Performance – Leading Edge Talent

The Corporation’s approach to executive compensation is structured to support its goal of achieving disruptive innovation in the interior construction industry, while providing sustainable value to Shareholders. DIRTT continues to set new standards for its customized, high quality solutions. This level of excellence and innovation demands leading-edge talent.

### Evolving Pay Programs to Reflect an Evolving Company

The Board recognizes the importance of linking executive pay to both the execution of DIRTT’s business plan and our commitment to deliver strong returns to our shareholders. Based on the Compensation Committee’s review of DIRTT’s compensation programs in 2016, supported by the Compensation Committee’s independent advisor, Hugessen Consulting, the Compensation Committee has approved the following changes in 2016:

- Refined DIRTT’s pay philosophy to reflect its commitment to disrupting the construction industry
  - Enhanced our approach to pay-for-performance, increasing the proportion of total pay in long-term incentives
- Reinforced the link between our Short-Term Incentive Plan and our strategic objectives

- Added a qualitative component to the scorecard to measure achievement against our strategic initiatives
- Redesigned our executive Long-Term Incentive Plan to reflect our position in the market
  - Introduced a performance share unit plan (“**PSU Plan**”), aligning executive pay to total shareholder return relative to industry comparators, alongside long-term Adjusted EBITDA growth
- Enhanced risk-mitigating initiatives in our pay programs
  - Introduced director share ownership guidelines
  - Improved our disclosure for our shareholders to aid in the understanding of our compensation programs and the processes and rationale behind our pay decisions

We are confident that recent changes within our compensation programs and related governance practices will enhance the alignment between pay and performance, demonstrating our commitment to value creation. We welcome Shareholder feedback in our approach to executive compensation.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) “Diana Propper de Callejon”

(Signed) “Steve Parry”

Diana Propper de Callejon, Compensation Committee Chair

Steve Parry, Chairman

March 21, 2017

## Compensation Discussion and Analysis

### Introduction

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation’s philosophy, objectives and processes regarding compensation for the Chief Executive Officer (“**CEO**”), the Chief Financial Officer (“**CFO**”) and each of the four most highly compensated executive officers of the Corporation, other than the CEO and CFO, whose total compensation was, individually, more than \$150,000 for the year ended December 31, 2016 (each a “**Named Executive Officer**” and collectively, the “**Named Executive Officers**”).

For the year ended December 31, 2016, the Corporation had the following six (6) Named Executive Officers:

- Mogens Smed (CEO);
- Scott Jenkins (President);
- Derek Payne (CFO and Corporate Secretary);
- Tracy Baker (Chief Operating Officer);
- Geoff Gosling (Vice President, Product Development); and
- Barrie Loberg (Vice President, Software Development).

### Compensation Philosophy and Objectives

The primary objectives of the Corporation’s compensation program are:

- to attract and retain talented and experienced executive officers;
- to motivate and reward executive officers whose knowledge, skills and performance are critical to DIRT’s success;
- to encourage executive officers to manage DIRT’s business to meet its long-term objectives; and
- to align the interests of executive officers and Shareholders by motivating executive officers to increase Shareholder value and reward executive officers when Shareholder value increases.

When determining levels of compensation each year, the Board considers individual experience and performance, level of responsibility, skills and experience, and other compensation awards or arrangements.

As a publicly-traded, technology-driven manufacturer of highly-customized interiors, we have few peers that are directly comparable. The Compensation Committee, with the support of its independent consultant, established a comparator group of companies operating within the manufacturing space in North America with similar-sized revenues, to assist in setting executive pay levels. For 2016 and 2017 compensation decisions, our peer group included the following companies:

Exco Technologies Limited	Proto Labs – USA	ZCL Composites Inc.
AirBoss of America Corp.	Logan International Inc.	Westport Innovations
Evertz Technologies Limited	Richards Packaging Income Fund	Supremex Inc.
Avigilon Corporation	Tree Island Steel Ltd.	Aspen Aerogels - USA
Hammond Mfg. Co. Ltd.		

The Compensation Committee also references third party surveys in determining the appropriate range of pay for each of our executives.

DIRTT attracts people who understand our vision of building better and the need to constantly innovate to stay ahead of the rapidly evolving industry. Our compensation programs are designed to attract and retain the best in the business to achieve our high-growth strategies. In addition we are transitioning to the philosophy of paying at the 75th percentile of peers. As discussed in more detail below, a greater emphasis has been put on our variable pay plans to ensure DIRTT executives are motivated and rewarded for achieving our ambitious growth plans.

### ***Compensation Process***

The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to compensation matters. Compensation for the Corporation’s executive officers (other than the CEO and the President) is recommended by the CEO and the President and then reviewed by the Compensation Committee. Recommendations for all executive officers are then made by the Compensation Committee to the Board for the Board’s ultimate approval. In making its recommendations, the Compensation Committee utilizes publicly disclosed compensation data from management information circulars and obtains the services of independent compensation consultants to provide market data on executive and director compensation and a technical analysis of the market data. McDowall Associates was engaged from 2013 to 2015; in 2015, McDowall Associates provided the Compensation Committee with an independent analysis of the Corporation’s compensation plans and practices for fiscal 2016. In 2016, the Compensation Committee engaged Hugessen Consulting to perform a thorough review of DIRTT’s compensation programs.

The table below shows the fees paid to McDowall Associates and Hugessen Consulting over the last two years:

<b>Services Performed</b>	<b>Fees paid in 2016</b>	<b>Fees paid in 2015</b>
Executive compensation-related fees (Hugessen Consulting)	\$50,217	\$Nil
Executive compensation-related fees (McDowall Associates)	\$Nil	\$32,293
All other fees	\$Nil	\$Nil

All members of the Compensation Committee have expertise and extensive experience in compensation and other human resource areas. See “Board Committees – Compensation Committee” under Appendix “A” to this Circular.

### ***Compensation Components***

For the year ended December 31, 2016, the compensation program for each Named Executive Officer consisted of a base salary, cash variable pay, and stock option awards. The Board believes that these components, to a greater or lesser extent, serve or will serve each of the objectives of the compensation program. All executive officers are also eligible to participate in the same benefits as offered to all full-time employees.

### **Base Salary**

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of executive officers. In determining base salaries, the Board takes into account the knowledge of the industry and the financial resources of the Corporation. The Board believes that the base salaries of the executive officers are competitive to those that are received by comparable officers with comparable responsibilities in similar companies.

In November 2015, the Board resolved to increase the annual base salaries for the Named Executive Officers, effective January 1, 2016, as follows:

<b>Named Executive Officer</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Mogens Smed	\$508,500	\$406,800	25%
Scott Jenkins	\$364,300	\$316,800	15%
Derek Payne	\$300,000	\$250,000	20%
Tracy Baker	\$338,976	\$316,800	7%
Geoff Gosling	\$338,976	\$316,800	7%
Barrie Loberg	\$338,976	\$316,800	7%

### **Short-Term Incentive Plan**

The Board approved a variable pay plan (the “**Variable Pay Plan**”) for fiscal 2016 for the Named Executive Officers based on achieving company-wide performance metrics.

Payouts under the Variable Pay Plan may range from 0-100% depending upon performance against the following Board-approved metrics:

- Adjusted Gross Profit (as defined below);
- Adjusted EBITDA; and
- assessment of progress towards long-term strategic goals.

Each of Adjusted Gross Profit and Adjusted EBITDA are weighted 42.5%, and the execution of strategic initiatives is weighted 15%.

Adjusted Gross Profit and Adjusted EBITDA are important as they capture growth (and the quality of that growth), profitability and scaling of the business. The Variable Pay Plan was constructed so that a person’s variable pay is tied to company-wide performance, placing the emphasis on team results and team work. The annual variable pay potential for each Named Executive Officer represents a meaningful amount of additional compensation to act as a strong incentive, while being fiscally prudent for the Corporation.

Payment to the Named Executive Officers of the qualitative assessment of progress towards meeting the long-term strategic goals is at the discretion of the Board. Milestones for each strategic measure are created as a way for the Board to judge interim achievement against longer-term measures.

Adjusted Gross Profit is defined as gross profit before the deduction of the depreciation of equipment and tooling for manufacturing-related assets that is included in cost of goods sold. “Adjusted EBITDA” is earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) plus non-cash foreign exchange gains or losses on debt revaluation; gains or losses on disposal of property, plant and equipment and intangible assets; write-off of property, plant and equipment and intangible assets; non-cash stock-based

compensation expense; transaction costs; and any other non-recurring gains or losses. For a reconciliation of these non-IFRS measures see the Corporation's management discussion and analysis for the year ended December 31, 2016, available on SEDAR at <http://www.sedar.com>.

The Corporation is relying on the exemption under section 2.1(4) of Form 51-102F6, *Statement of Executive Compensation*, as disclosure of the performance goals would seriously prejudice the Corporation's interests. The performance metrics are determined as part of the Corporation's budgetary process and are therefore based on revenue forecasts. Accordingly, the Corporation believes disclosure of performance metrics could intentionally or unintentionally be used by investors to develop financial outlook with respect to the Corporation's ongoing revenue expectations/targets. The Corporation's current practice is to not provide any financial outlook or future-oriented financial information.

In 2016, overall corporate performance under the plan was assessed at 93.6%.

Below is a summary of DIRTT's actual achievement of the company-wide performance metrics relative to the budget.

<b>Performance metrics</b>	<b>Weighting</b>	<b>Achievement Relative to Budget</b>	<b>Resulting Score</b>
Adjusted Gross Profit	42.5%	At Budget	100%
Adjusted EBITDA	42.5%	15% below Budget	85%
Strategic Goals	15.0%	At Budget	100%
<b>Total</b>	<b>100.0%</b>		<b>93.6%</b>

Effective 2017, the executive target short-term incentive plan ("STIP") is as follows:

<b>Named Executive Officer</b>	<b>Position</b>	<b>2017 Target STIP (% of Base Salary)</b>
Mogens Smed	CEO	65%
Scott Jenkins	President	55%
Derek Payne	CFO	50%
Tracy Baker	Chief Operating Officer	50%
Geoff Gosling	VP, Product Development	50%
Barrie Loberg	VP, Software Development	50%

### **Long-Term Incentive Plan**

In addition to the short-term incentive plan, the Named Executive Officers are eligible to receive annual awards of long-term equity incentives. In 2016, the Named Executive Officers received stock options

(“Options”) issued pursuant to the Corporation’s amended and restated incentive stock option plan (the “Option Plan”).

During 2016, the Board approved a PSU Plan to complement our existing Option Plan. The PSU Plan is designed to support our business plan and our long-term strategies, and to improve alignment of interests between executives and our shareholders. Effective 2017, the executive target long-term incentive plan (“LTIP”) mix will consist of 50% performance share units (“PSUs”) and 50% Options.

The following table summarizes the features of the PSU Plan and Option Plan.

Key Features	2017 LTIP Mix	
	PSUs	Options
<b>Form of Award</b>		
<b>Vesting Period</b>	3-Year Cliff	3-Year ratable (1/3 of award vests on the 1 <sup>st</sup> , 2 <sup>nd</sup> , and 3 <sup>rd</sup> anniversary of grant)
<b>Term</b>	3 Years	5 Years
<b>Grant/Award Determination</b>	Target grant sizes set as a % of base salary with final grant size subject to Board discretion	
<b>Performance Measures</b>	25% Relative TSR 75% Adjusted EBITDA Performance vs. Budget	Rewards share price appreciation
<b>Performance Framework</b>	Payouts range from 0x- 2x grant, based on achievement of performance measures	-
<b>Performance Period</b>	January 1 <sup>st</sup> of the year of grant to December 31 <sup>st</sup> on the 3 <sup>rd</sup> year following grant	-
<b>Settlement of Awards</b>	Settled in cash	Settled in treasury shares

### **2016 and 2017 LTIP Targets**

Up to and including 2016, the number of Options granted to Named Executive Officers was based upon the Board’s assessment of individual position, scope of responsibility, and ability to affect profits and shareholder value, as well as the value of the options in relation to other elements of the individual’s total compensation and the overall number of Options outstanding relative to Common Shares outstanding.

Effective 2017, the executive target LTIP is as follows:

<b>Named Executive Officer</b>	<b>Position</b>	<b>2017 Target LTIP (% of Base Salary)</b>
Mogens Smed	CEO	48%
Scott Jenkins	President	56%
Derek Payne	CFO	55%
Tracy Baker	Chief Operating Officer	48%
Geoff Gosling	VP, Product Development	48%
Barrie Loberg	VP, Software Development	48%

The Compensation Committee retains final approval over awards to ensure they are aligned with our corporate performance and shareholder experience.

#### ***Option Awards***

The Named Executive Officers are eligible to receive Option awards under the Option Plan. The Board intends for Option awards to continue to be an integral part of the overall compensation program. The Board believes that Option awards motivate executive behaviors that results in long-term value creation.

The Board has agreed in principal to limit non-executive director participation in the Option Plan to no more than \$100,000; the Option Plan shall be amended to formalize this practice when the Plan is up for re-approval by Shareholders.

#### ***PSU Plan***

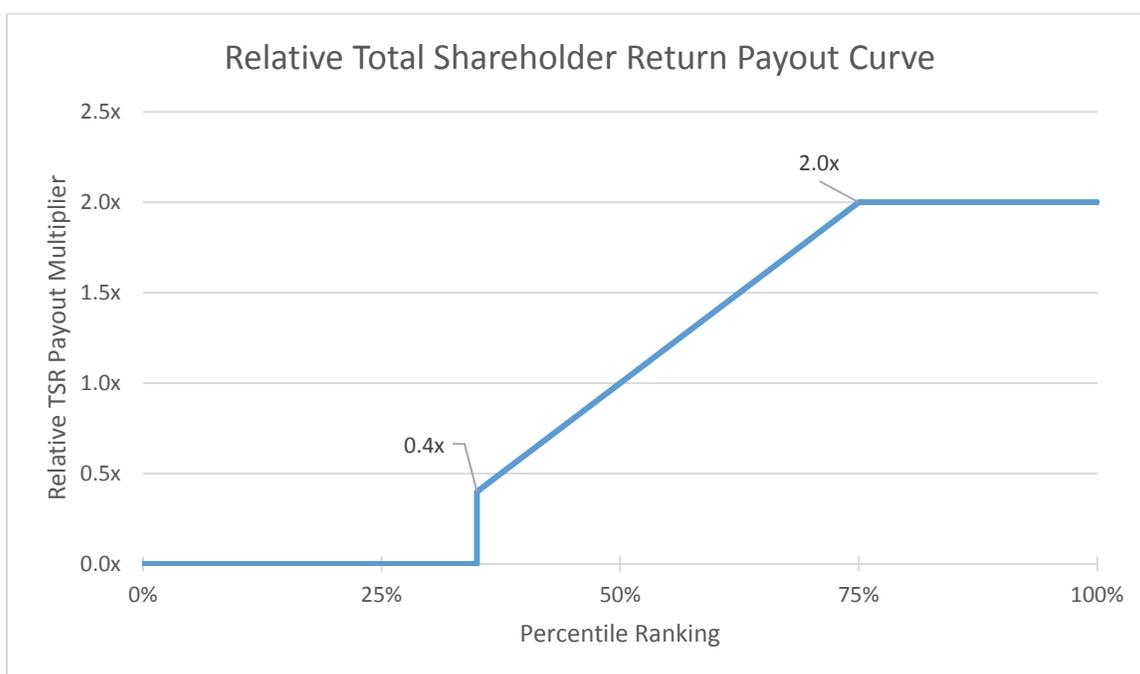
During 2016, the Board adopted a PSU Plan to motivate executives to drive the corporate strategy. The vesting of PSUs is tied to a combination of absolute and relative measures over a three-year period: Adjusted EBITDA relative to budget and total shareholder return (“**TSR**”) relative to a group of performance peers. The Compensation Committee, with the support of its independent consultant, established a comparator group of performance peers based on the industry, geography and size criteria, to assist in setting performance levels. For 2017, our peer group included the following companies:

Kingspan Group plc	HNI Corp.	Herman Miller Inc.
Steelcase Inc.	Apogee Enterprises, Inc.	NCI Building Systems Inc.
Knoll, Inc.	American Woodmark Corp.	Interface Inc.
Patrick Industries Inc.	Kimball International, Inc.	Materialise NV
Pure Technologies Ltd.		

PSUs cliff vest on the third anniversary of the date of grant and payouts are subject to a performance multiplier ranging from 0% to 200% based on final performance results. For 2017, the Board-approved performance framework is as follows:

Performance Level	Relative TSR (25%)	Adjusted EBITDA (75%)	PSU Multiplier (% of Target)
Threshold	35 <sup>th</sup> Percentile Among Peers	Budget Threshold	40%
Target	50 <sup>th</sup> Percentile Among Peers	Budget Target	100%
Maximum	75 <sup>th</sup> Percentile Among Peers	Budget Maximum	200%

The graph below illustrates the asymmetrical payout curve of the relative TSR component, reflecting the Company's commitment to above-median performance.



The number of PSUs to be granted to each participant is determined by dividing (i) the dollar amount to be granted in PSUs by (ii) the 5-day weighted average trading price of Common Shares immediately preceding the date of grant.

At vesting, the number of PSUs granted, including dividends notionally reinvested, will be adjusted by the performance payout multiplier and the 5-day weighted average trading price of Common Shares immediately preceding the date of vesting.

Performance measures and award payouts may be adjusted above or below the initial grant value at time of vesting to reflect material changes to the Company's performance and/or operating environment, or to reflect exceptional circumstances facing the Company. The use of discretion is based on recommendations by the Compensation Committee and approved by the Board.

### ***Risks of Compensation Policies and Practices***

The Corporation's compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk. As part of its review and discussion of executive compensation, the Board and the Compensation Committee noted the following practices that discourage the Corporation's executives from taking unnecessary or excessive risk:

- the alignment between the Corporation's operating strategy and compensation philosophy;
- the effective balance, in each case, between cash and equity mix, near-term and long-term focus, corporate performance and financial and non-financial performance;
- the Corporation's approach to performance evaluation and compensation that provides greater rewards to an executive officer achieving both short-term and long-term agreed-upon objectives; and
- executives are encouraged to hold a meaningful number of Common Shares, particularly since the Board adopted guidelines in 2016.

Based on this review, the Board and the Compensation Committee believe that the Corporation's total executive compensation program does not encourage executive officers to take unnecessary or excessive risk.

### **Financial Instruments**

The Board has developed a Disclosure and Insider Trading Policy which restricts its directors, officers, employees and contractors from purchasing financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Corporation. Furthermore, the Disclosure and Insider Trading Policy prohibits the purchase or sale of securities of the Corporation with the intention of reselling or repurchasing in a relatively short period of time in the expectation of a short-term rise or fall in the market price of the securities of the Corporation.

## Compensation Table

The following table sets forth information concerning the compensation received by the Named Executive Officers for the year ended December 31, 2016, 2015 and 2014.

Name and Principal Position	Period	Salary (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation			Total Compensation (\$)
				Annual Incentive Plans (\$) <sup>(3)</sup>	Long-Term Incentive Plans (\$)	All Other Compensation (\$) <sup>(4)</sup>	
Mogens Smed CEO	2016	508,500	113,475	233,910	Nil	Nil	855,885
	2015	406,800	431,805	203,400	Nil	Nil	1,042,005
	2014	406,800	205,176	165,363	Nil	Nil	777,339
Scott Jenkins President	2016	364,300	94,563	136,157	Nil	18,215	613,235
	2015	316,800	269,878	158,400	Nil	15,840	760,918
	2014	316,800	205,176	128,616	Nil	9,900	660,492
Derek Payne <sup>(2)</sup> CFO	2016	300,000	75,650	94,875	Nil	15,000	485,525
	2015	184,659	107,951	125,000	Nil	8,854	426,464
	2014	151,515	123,105	84,687	Nil	2,367	361,674
Tracy Baker Chief Operating Officer	2016	338,976	75,650	107,201	Nil	16,949	538,776
	2015	316,800	215,903	158,400	Nil	15,840	706,943
	2014	316,800	123,105	128,618	Nil	9,900	578,421
Geoff Gosling Vice President, Product Development	2016	338,976	75,650	107,201	Nil	16,949	538,776
	2015	316,800	215,903	158,400	Nil	15,180	706,283
	2014	316,800	123,105	128,616	Nil	Nil	568,521
Barrie Loberg Vice President, Software Development	2016	338,976	75,650	107,201	Nil	Nil	521,827
	2015	316,800	215,903	158,400	Nil	Nil	691,103
	2014	316,800	123,105	128,616	Nil	Nil	568,521

### Notes:

- (1) Calculated using Black-Scholes option-pricing model in accordance with IFRS 2 share-based payments.
- (2) Mr. Derek Payne was on a medical leave of absence from August 8, 2014 to April 6, 2015.
- (3) The 2016 amount was accrued as at December 31, 2016 and will be paid on March 31, 2017.
- (4) Relates to DIRTT's 50% additional contribution pursuant to the ESPP (as defined herein). Refer to "Employee Share Purchase Plan".

## Outstanding Option Based Awards

The following table sets forth information with respect to the outstanding Options granted under the Option Plan to the Named Executive Officers as of December 31, 2016, which includes all Options granted prior to January 1, 2017.

Name and Principal Position	Number of Common Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>
Mogens Smed	56,250	5.76	Nov. 21, 2021	28,688
CEO	200,000	6.10	Aug. 16, 2020	34,000
	83,334	3.59	Jun. 30, 2019	223,335
Scott Jenkins	46,875	5.76	Nov. 21, 2021	23,906
President	125,000	6.10	Aug. 16, 2020	21,250
	86,666	3.59	Jun. 30, 2019	232,265
Derek Payne	37,500	5.76	Nov. 21, 2021	19,125
CFO	50,000	6.10	Aug. 16, 2020	8,500
	75,000	3.59	Jun. 30, 2019	201,000
	45,000	1.50	Jun. 5, 2017	214,650
Tracy Baker	37,500	5.76	Nov. 21, 2021	19,125
Chief Operating Officer	100,000	6.10	Aug. 16, 2020	17,000
	50,000	3.59	Jun. 30, 2019	134,000
Geoff Gosling	37,500	5.76	Nov. 21, 2021	19,125
Vice President,	100,000	6.10	Aug. 16, 2020	17,000
Product Development	75,000	3.59	Jun. 30, 2019	201,000
Barrie Loberg	37,500	5.76	Nov. 21, 2021	19,125
Vice President,	100,000	6.10	Aug. 16, 2020	17,000
Software Development	75,000	3.59	Jun. 30, 2019	201,000

Note:

(1) Based on the December 31, 2016 TSX closing price per Common Share of \$6.27.

## Incentive Plan Awards

The following table sets forth information with respect to the incentive plan awards to the Named Executive Officers as of the year ended December 31, 2016.

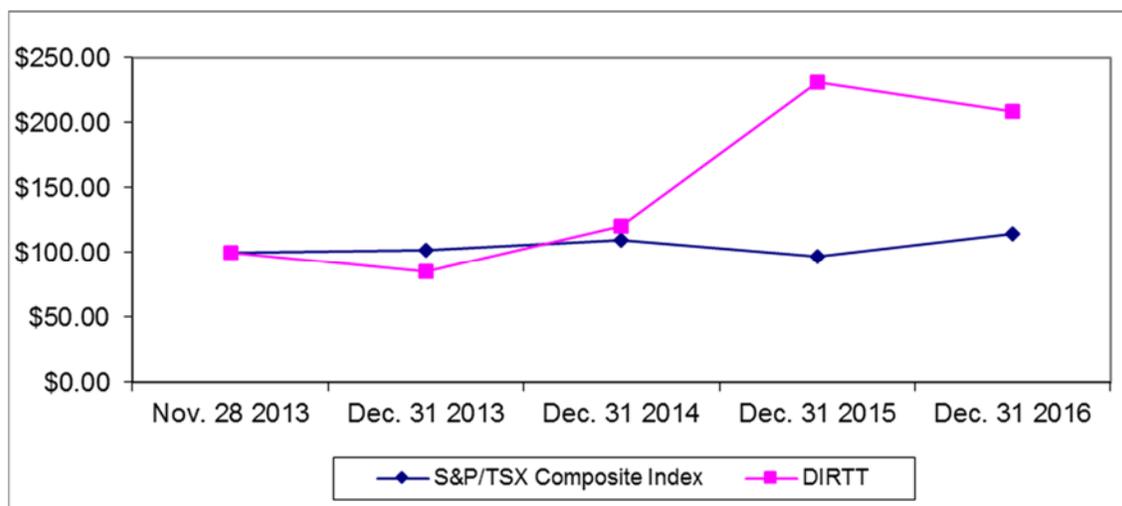
<b>Name and Principal Position</b>	<b>Option-Based Awards – Value vested during the year (\$)</b>	<b>Non-Equity Incentive Plan Compensation – Value earned during the year (\$)<sup>(1)</sup></b>
Mogens Smed CEO	74,584	233,910
Scott Jenkins President	74,584	136,157
Derek Payne CFO	44,750	94,875
Tracy Baker Chief Operating Officer	44,750	107,201
Geoff Gosling Vice President, Product Development	44,750	107,201
Barrie Loberg Vice President, Software Development	44,750	107,201

Note:

(1) Cash variable pay accrued to the Named Executive Officers in respect of the year ended December 31, 2016.

## Performance Graph

The Corporation became a reporting issuer on November 28, 2013 upon completion of its initial public offering. The following Performance Graph shows the change in the cumulative total shareholder return on the Common Shares compared the S&P/TSX Composite Index, from November 28, 2013 to December 31, 2016. The performance of the Common Shares is based on historical data and is not indicative of, nor is it intended to forecast, the future performance of the Common Shares.



	Nov. 28, 2013	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
S&P/TSX Composite Index	\$100	\$101.69	\$109.23	\$97.12	\$114.13
DIRTT Environmental Solutions Ltd.	\$100	\$85.00	\$120.00	\$231.33	\$209.00

The trend shown in the above graph does not necessarily correspond to the Corporation’s trend of compensation for the Named Executive Officers for the periods disclosed above. Given DIRT’s success as a disruptor in the industry and its resulting growth, the Company’s pay philosophy and pay program continue to focus on attracting, retaining and incentivizing leading-edge talent. The Corporation considers a number of factors in connection with its determination of appropriate levels of compensation which is not necessarily tied exclusively to the trading price of the Common Shares on the TSX and other factors discussed under “Compensation Discussion and Analysis”.

## Termination and Change of Control Benefits

### *Executive Employment Agreements*

Messrs. Jenkins and Payne and Ms. Baker are each a party to an executive employment agreement with DIRT (or a DIRT subsidiary) (an “**Executive Employment Agreement**”) pursuant to which the Corporation will make a payment to such Named Executive Officer equal to: (i) all unpaid salary, variable pay and unused vacation accrued to the termination date; (ii) reimbursement of all expenses incurred in accordance with such Executive Employment Agreement up to the termination date; (iii) continuation of the salary (less deductions and withholdings) of such Named Executive Officer for a period of 12 months plus one month for each full or partial year of the Named Executive Officer’s employment with the Corporation to a maximum of 18 months (the “**Executive Severance Period**”); (iv) if a variable pay is paid out for the year in which the termination date occurs, a pro rata share of the variable pay based on the months of the year the Named Executive Officer was employed by the Corporation; and (v) continued eligibility to participate in all benefits, subject to the terms of the applicable plan, until the end of the Executive Severance Period (collectively, (i), (ii), (iii), (iv) and (v) are referred to herein as the “**Executive**

**Termination Payment**") in the event of termination of such Named Executive Officer without "Just Cause", or resignation by such Named Executive Officer for "Good Reason". If the Named Executive Officer elects, in writing, within five days of the termination date, they may receive the salary continuance referred to in (iii) above in a lump sum equal to one month of the Named Executive Officer's salary multiplied by the number of months in the Executive Severance Period less two months. Ms. Baker is also entitled to be reimbursed for any courses or other educational programs taken to upgrade her educational skills for a period of six months beginning as at the termination date, up to a maximum of \$15,000. Notwithstanding any term to the contrary in the Plan, all Options held by the Named Executive Officer that are not vested and exercisable as of the termination date shall be fully accelerated so that each Option held by the Named Executive Officer shall be fully vested and exercisable as of the termination date and remain exercisable until the earlier of six months from the termination date or the expiry of the original term of the Option, after which the Option shall expire. In the event that the Named Executive Officer cannot exercise the Options due to a Black-out Period or other regulatory requirement, the Named Executive Officer may exercise Options for a further period of 30 days after such Black-out Period or other regulatory restriction is lifted or removed.

The payments and benefits referred to in (iii), (iv) and (v) above are conditional upon the Named Executive Officer's compliance with clauses contained in the Executive Employment Agreement relating to: (i) non-competition (for the duration of the Executive Severance Period); (ii) non-solicitation (for the duration of the Executive Severance Period); and (iii) confidentiality (in perpetuity, as applicable); and such payments and benefits will be forfeited if the Named Executive Officer breaches such obligations.

#### ***Founder Employment Agreements***

Messrs. Gosling, Loberg and Smed are each a party to an executive employment agreement with DIRTT (or a DIRTT subsidiary) (a "**Founder Employment Agreement**") pursuant to which the Corporation will make a payment to such Named Executive Officer equal to: (i) all unpaid salary, variable pay and unused vacation accrued to the termination date; (ii) reimbursement of all expenses incurred in accordance with such Founder Employment Agreement up to the termination date; (iii) a lump sum payment equal to the salary of such Named Executive Officer for a period of 24 months (the "**Founder Severance Period**"); (iv) if a variable pay is declared for the year in which the termination date occurs, a pro rata share of the variable pay based on the months of the year the Named Executive Officer was employed by the Corporation; and (v) continued eligibility to participate in all benefits, subject to the terms of the applicable plan, until the end of the Founder Severance Period; and (vi) an amount equal to the average of the variable pay received by the Named Executive Officer in the two years prior to the termination date for the Founder Severance Period (collectively, (i), (ii), (iii), (iv), (v) and (vi) are referred to herein as the "**Founder Termination Payment**") in the event of termination of such Named Executive Officer without "Just Cause", or resignation by such Named Executive Officer for "Good Reason". Notwithstanding any term to the contrary in the Stock Option Plan, all Options held by the Named Executive Officer that are not vested and exercisable as of the termination date shall be fully accelerated so that each Option held

by the Named Executive Officer shall be fully vested and exercisable as of the termination date and remain exercisable until the earlier of six months from the termination date or the expiry of the original term of the Option, after which the Option shall expire. In the event that the Named Executive Officer cannot exercise the Options due to a Black-out Period or other regulatory requirement, the Named Executive Officer may exercise Options for a further period of 30 days after such Black-out Period or other regulatory restriction is lifted or removed.

The payments and benefits referred to in (iii), (iv), (v) and (vi) above are conditional upon the Named Executive Officer's compliance with clauses contained in the Founder Employment Agreement relating to: (i) non-competition (for the duration of the Founder Restricted Period); (ii) non-solicitation (for the duration of the Founder Restricted Period); and (iii) confidentiality (in perpetuity, as applicable); and such payments and benefits will be forfeited if the Named Executive Officer breaches such obligations.

For the purposes of the above headings:

**"Founder Restricted Period"** means: (i) 12 months if the Named Executive Officer resigns without Good Reason; or (ii) 24 months if the Named Executive Officer's employment is terminated for any reason other than death or resignation without Good Reason. In the event that the Named Executive Officer resigns without Good Reason, the Founder Restricted Period may be increased to 24 months at the option of the Corporation provided that the Corporation pays to the Named Executive Officer an amount equal to 12 months' salary. Such option must be exercised by the Corporation on the termination date.

**"Good Reason"** means any one or more of the following: (i) without the express written consent of the Named Executive Officer, any material change or diminution of the Named Executive Officer's title, authority, status, duties, reporting relationship (for Mogens Smed, to the Board; for all other Named Executive Officers, to the CEO) or responsibilities or a material diminution in the authority, duties, or responsibilities of the CEO (for Mogens Smed, the latter two circumstances are replaced with a requirement that Mr. Smed report to a corporate officer or employee of the Corporation instead of reporting directly to the Board, or if the Corporation has a parent company, a requirement that Mr. Smed report to any individual or entity other than the board of the ultimate parent company of the Corporation); (ii) any material reduction in the Named Executive Officer's compensation, including his or her salary, benefits, pensions, variable and incentive compensation, perquisites and allowances (for the Founder Employment Agreements, a reduction of more than 2% is considered material and in the case of the variable pay, a reduction of more than 2% of the Named Executive Officer's target amount is considered material); (iii) the requirement that the Named Executive Officer be based anywhere other than at the Corporation's principal executive offices in Calgary, Alberta; (iv) any material breach by the Corporation of the Founder or Executive Employment Agreement; or (v) any other reason which would be concluded by a court of competent jurisdiction to amount to a constructive dismissal at common law; provided that the Named Executive Officer has provided the Corporation with written notice of the acts or omissions constituting grounds for Good Reason, and the Corporation shall have 30 days to rectify any

error or omission (for the Founder Employment Agreements, such rectification is subject to the Named Executive Officer’s satisfaction).

“**Just Cause**” means: (i) fraud, misappropriation of the property or funds of the Corporation, embezzlement, malfeasance, misfeasance or nonfeasance in office which is willfully or grossly negligent on the part of the Named Executive Officer; (ii) the willful allowance by the Named Executive Officer of the Named Executive Officer’s duty to the Corporation and his personal interests to come into conflict in a material way in relation to any transaction or matter that is of a substantial nature; or (iii) the breach by the Named Executive Officer of any non-competition, non-solicitation or confidentiality covenants contained in the Founder or Employment Agreement.

The table below sets out an estimated Executive Termination Payment and Founder Termination Payment, as applicable, that each Named Executive Officer would have been entitled to, as applicable, if the event resulting in termination of employment occurred on December 31, 2016.

Name and Principal Position	Termination without “Just Cause” (\$) <sup>(1)</sup>	Resignation for “Good Reason” (\$) <sup>(1)</sup>	Termination for “Just Cause” (\$) <sup>(2)</sup>
Mogens Smed CEO	1,235,655	1,235,655	Nil
Scott Jenkins President	546,450	546,250	Nil
Derek Payne CFO	450,000	450,000	Nil
Tracy Baker Chief Operating Officer	508,464	508,464	Nil
Geoff Gosling VP, Product Development	810,753	810,753	Nil
Barrie Loberg VP, Software Development	810,753	810,753	Nil

Notes:

- (1) Does not include benefits which amounts are considered immaterial.
- (2) In the event of a termination for “Just Cause” or resignation without “Good Reason”, the Corporation shall have no further obligation to the Named Executive Officer, other than the payment of annual base salary and variable pay accrued and unpaid through the date of termination, outstanding expense reimbursements, provision of all benefits up to the date of termination and any unused accrued vacation pay.

## **Employee Share Purchase Plan**

The Board has adopted an Employee Share Purchase Plan (“ESPP”) to encourage ownership of Common Shares and to align the interest of employees, including Named Executive Officers, more closely with those of Shareholders. All employees are eligible to participate in the ESPP. Pursuant to the ESPP, employees are able to purchase Common Shares up to an aggregate amount of 10% of their base salaries and with DIRT contributing an additional 50% of each such employee amount towards further purchases. All Common Shares are purchased through the facilities of the TSX and all Common Shares purchased through DIRT contributions are required to be held for a minimum of one year from the date of purchase. Amounts paid by DIRT are a taxable benefit.

## **DIRECTOR COMPENSATION**

The Corporate Governance Committee assists the Board with respect to the establishment of the Corporation’s compensation program for its directors. The main objectives of the directors’ compensation program are to:

- compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in Board and committee membership, and competitive with other comparable issuers; and
- align the interests of the directors with the Shareholders.

Unlike compensation for the Named Executive Officers, the directors’ compensation program is not designed to pay for performance; rather, directors receive retainers for their services in order to help ensure unbiased decision-making. The directors are also eligible to receive Option awards under the Option Plan.

Effective July 1, 2014, compensation for the directors was comprised of an annual fee of \$60,000 per director and all meeting fees were eliminated. The Chair of the Compensation Committee and Corporate Governance Committee received an additional \$10,000 per director per year. Effective May 8, 2015, directors who are on three or more committees each received an additional \$5,000 per year. Effective January 1, 2016, the Chair of the Board and Audit Committee received an additional \$25,000 and \$15,000 per year, respectively. The Corporation also reimburses the directors for out-of-pocket expenses for attending meetings.

Executive directors do not receive any compensation for their services as directors.

### **Director Share Ownership Guidelines**

During 2016, the Board approved new share ownership guidelines for all directors. The ownership guidelines have been developed for non-executive directors to demonstrate their commitment to the achievement of long-term success and alignment of their interests with shareholders.

Each director is required to hold Common Shares equal to 2.25 times his/her annual base retainer. Directors have up to five years from the date of appointment to accumulate the required ownership, or five years from January 1, 2016 for directors appointed prior to this time. Those directors who have not achieved the required ownership at the end of the five-year period will receive 100% of their respective annual retainer paid in Common Shares until the ownership level is attained.

The value of shares held for the purposes of the ownership requirements will be the higher of (i) the acquisition price of Common Shares and (ii) the current market price of the Common Shares.

### Compensation Table

The following table sets forth information concerning the compensation earned by the directors for the year ended December 31, 2016. Messrs. Smed and Jenkins do not receive any compensation for their services as directors.

Name	Fees Earned (\$)	Option-Based Awards (\$) <sup>(1)</sup>	All Other Compensation (\$)	Total Compensation (\$)
Wayne Boulais	60,000	30,260	Nil	90,260
Gregory F. Burke	60,000	30,260	Nil	90,260
Lawrence D. Fairholm	65,000	30,260	Nil	95,260
Richard Haray <sup>(2)</sup>	8,804	50,433	Nil	59,237
Denise Karkkainen	70,733	30,260	Nil	100,993
Christine McGinley	75,000	30,260	Nil	105,260
Steve Parry	85,000	30,260	Nil	115,260
Diana Propper de Callejon	70,000	30,260	Nil	100,260

Notes:

(1) Calculated using Black-Scholes option-pricing model in accordance with IFRS 2 share-based payments.

(2) Mr. Richard Haray became a director effective November 8, 2016.

## Outstanding Option-Based Awards

The following table sets forth information with respect to the outstanding Options granted under the Plan to the directors as of December 31, 2016, which includes all Options granted prior to January 1, 2017.

Name	Number of Common Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>
Wayne Boulais	15,000	5.76	Nov. 21, 2021	7,650
	25,000	6.10	Aug. 16, 2020	4,250
Gregory F. Burke	15,000	5.76	Nov. 21, 2021	7,650
	25,000	6.10	Aug. 16, 2020	4,250
	25,000	3.59	Jun. 30, 2019	67,000
	25,000	1.50	Jun. 5, 2017	119,250
Lawrence D. Fairholm	15,000	5.76	Nov. 21, 2021	7,650
	25,000	6.10	Aug. 16, 2020	4,250
	25,000	3.59	Jun. 30, 2019	67,000
	25,000	1.50	Jun. 5, 2017	119,250
Richard Haray	25,000	5.76	Nov. 21, 2021	12,750
Denise Karkkainen	15,000	5.76	Nov. 21, 2021	7,650
	25,000	6.10	Aug. 16, 2020	4,250
Christine McGinley	15,000	5.76	Nov. 21, 2021	7,650
	25,000	6.10	Aug. 16, 2020	4,250
	25,000	3.59	Jun. 30, 2019	67,000
	25,000	2.93	Nov. 28, 2018	83,500
Steve Parry	15,000	5.76	Nov. 21, 2021	7,650
	25,000	6.10	Aug. 16, 2020	4,250
	25,000	3.59	Jun. 30, 2019	67,000
Diana Propper de Callejon	15,000	5.76	Nov. 21, 2021	7,650
	25,000	6.10	Aug. 16, 2020	4,250
	10,164	3.59	Jun. 30, 2019	27,240

Note:

(1) Based on the December 31, 2016 TSX closing price per Common Share of \$6.27.

## Incentive Plan Awards

The following table sets forth information with respect to the incentive plan awards to the directors as of the year ended December 31, 2016.

Name	Option-Based Awards – Value vested during the year (\$)
Wayne Boulais	Nil
Gregory F. Burke	14,916
Richard Haray	Nil
Lawrence D. Fairholm	14,916
Denise Karkkainen	Nil
Christine McGinley	37,835
Steve Parry	14,916
Diana Propper de Callejon	14,916

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former directors or executive officers of the Corporation or any of its subsidiaries and no associate of any director or executive officer of the Corporation is or has been indebted to the Corporation or its subsidiaries at any time since January 1, 2016, except as set forth below.

Name and Principal Position	Involvement of Corporation	Largest Amount Outstanding During the Year Ended December 31, 2016 (\$)	Amount Outstanding as at March 21, 2017 (\$)	Security for Indebtedness	Amount Forgiven During the Year Ended December 31, 2016 (\$)
Mogens Smed <sup>(1)</sup> CEO	Lender	440,757	Nil	Nil	Nil

Note:

- (1) The loan to Mr. Mogens Smed enabled Mr. Smed to meet certain personal financial obligations after Mr. Smed, at the request of DIRTT, agreed to be issued Common Shares rather than cash on maturity of \$500,000 principal amount of convertible debentures issued to Mr. Smed on February 1, 2005. The loan bore interest at a rate of 5% per year with monthly payments of \$3,750 and was secured by a pledge of 250,000 Common Shares. The loan was fully repaid in August 2016.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the number of Common Shares to be issued upon exercise of Options issued pursuant to the Option Plan, the weighted average exercise price of such Options and the number of Common Shares remaining available for future issuance under equity compensation plans of the Corporation as at December 31, 2016.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding Options	Weighted-average exercise price of outstanding Options	Number of Common Shares remaining available for future issuance under equity compensation plans
Equity compensation plans approved by Shareholders	6,867,752	\$5.04	1,620,137
<b>Total</b>	6,867,752	\$5.04	1,620,137

The Option Plan is intended to provide a means, in the form of a proprietary interest in DIRTT to increase the interest of officers, directors, employees and consultants of the Corporation or the DIRTT subsidiaries (collectively, the “**Participants**”) in DIRTT’s welfare and to provide a means through which DIRTT can attract and retain service providers of outstanding abilities.

Under the Option Plan:

- Options may be granted in such numbers as the Board may determine and vest in three equal installments on each of the first three grant date anniversaries;
- the exercise price of Options shall not be less than the “fair market value” of the Common Shares at the date of granting such Option. For purposes of the Option Plan, “fair market value” means the weighted average price of the Common Shares on the TSX for the five trading days prior to the date on which the Option is granted;
- the term and expiry date of the Options granted shall be determined at the discretion of the Board at the time of granting of the Options (the “**Fixed Term**”);
- the maximum Fixed Term is five years;
- in the event that the Fixed Term falls within a period of time imposed by DIRTT as a period in which certain designated persons may not trade in securities of DIRTT (a “**Black-out Period**”), the expiry date of the Options shall be extended by 10 days (not including Saturdays, Sundays and statutory holidays observed in Calgary, Alberta) from the date any Black-out Period ends;
- the Options are not transferable or assignable;
- no financial assistance is provided by DIRTT to facilitate the purchase of Common Shares under the Option Plan to the Participants to whom such Options have been granted;
- the aggregate number of Common Shares that may be reserved for issuance under the Option Plan, together with any Common Shares reserved for issuance under any other share compensation arrangements, must not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis);
- the number of Common Shares, when combined with any other share compensation arrangements, issuable (or reserved for issuance) to “insiders” of DIRTT and their associates and affiliates may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted

basis), at any time and no more than 10% of the issued and outstanding Common Shares may be issued under the Option Plan or pursuant to any other share compensation arrangements to “insiders” of DIRT within any one year period;

- the issuance of Common Shares to any one Participant, when combined with any other share compensation arrangements, may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis);
- unless otherwise determined by the Board, upon the occurrence of a “triggering event”, any Options granted, accelerate or provide for the acceleration of vesting of Options previously granted. In addition, the Board may, in its sole discretion, upon the occurrence of the “triggering event” provide that a holder of Options has 21 days to exercise their Options, after which time they shall expire. In the event the “triggering event” is not completed, the Options shall again become subject to their original terms;
- in the event of the termination of the employment of a Participant, without cause, prior to the expiry time of an Option, such Option shall cease and terminate on the 60th day in the case of an employee or consultant, or the 90th day, in the case of a director or officer, following the effective date of such resignation, retirement or termination (or such other period determined by the Board, provided that no such Option may be exercised past its original expiry date);
- in the event of the resignation, retirement or termination of the employment of a Participant with cause, prior to the expiry time of an Option, such Option shall cease and terminate immediately upon the date of notice of such resignation, retirement or termination with cause;
- in the event of the death or permanent disability of a Participant, prior to the expiry time of an Option, such Option whether or not vested, shall be exercisable for six months following the death or permanent disability of the Participant (or such other period determined by the Board, provided that no such Option may be exercised past its original expiry date) and thereafter shall be of no further force or effect whatsoever as to the Common Shares in respect of which such Option has not previously been exercised;
- the Board has the ability to amend the Option Plan or any Option without seeking Shareholder approval, subject to applicable law, such changes include, without limitation, minor changes of a “housekeeping nature”, amending the vesting provisions of existing Options and changing the termination provisions of any Option, provided it does not entail an extension beyond the original expiry date of such Option or beyond five years from its Grant Date, with the following exceptions that require approval of Shareholders:
  - any amendments to the amendment provisions of the Option Plan;
  - any increase in the number of Common Shares reserved for issuance under the Option Plan; and
  - any reduction in the exercise price of an Option; and
  - any amendments may be subject to the prior consent of any applicable regulatory bodies, including the TSX.

As of the date hereof, there are 6,633,885 Options outstanding under the Option Plan, representing approximately 7.8% of the issued and outstanding Common Shares. There are approximately 1,867,818 unallocated Options available for issuance under the Option Plan.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Neither the Corporation nor any director or executive officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them has or has had, at any time since January 1, 2016, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

## **OTHER BUSINESS**

Management is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

## **MANAGEMENT CONTRACTS**

No management functions of the Corporation are performed by a person or company other than the directors or executive officers of the Corporation.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation can be found on SEDAR at <http://www.sedar.com>. Financial information for the year ended December 31, 2016 is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders who wish to receive additional copies of such financial information and management's discussion and analysis should send a request to the Corporation at 7303 - 30th Street S.E., Calgary, Alberta, T2C 1N6, Attention: Derek Payne, Chief Financial Officer and Corporate Secretary, or by facsimile to (403) 723-6644.

## APPENDIX “A”

### CORPORATE GOVERNANCE

Capitalized words used in this Appendix “A” Corporate Governance have the meanings given in the Circular.

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of Shareholders but that it also promotes effective decision-making at the Board level. In establishing its corporate governance practices, the Board has been guided by National Policy 58-201, Corporate Governance Guidelines, and other regulatory requirements such as National Instrument 58-101, Disclosure of Corporate Governance Practices, and National Instrument 52-110, Audit Committees (“NI 52-110”).

#### **Board of Directors**

##### ***Independence***

The Board currently consists of the following 10 directors: Messrs. Parry (Chairman), Boulais, Burke, Fairholm, Haray, Jenkins and Smed; and Mss. Karkkainen, McGinley and Propper de Callejon. Eight of the Board members (representing approximately 80% of the Board), being Messrs. Parry, Boulais, Burke, Fairholm, Haray, and Mss. Karkkainen, McGinley and Propper de Callejon, are considered by the Board to be independent within the meaning of NI 52-110. Messrs. Jenkins and Smed are not considered by the Board to be independent within the meaning of NI 52-110.

Additional information for each of the directors can be found under the heading “Election of Directors”.

##### ***Director Term Limits and Other Mechanisms of Board Renewal***

The Board has not established term limits for directors because it is of the view that such limits are a blunt instrument to effect board renewal which can result in the loss of valuable, experienced directors solely on the basis of age or length of service. Under the leadership of the Corporate Governance Committee, a rigorous annual performance assessment process is in place to ensure adequate Board renewal. This annual process evaluates the tenure and performance of individual directors and reviews the composition and effectiveness of the Board and its committees. Assessments include a skills matrix which helps the Corporate Governance Committee and the Board assess whether the Board possesses the appropriate experience, expertise and business and operational insight for the effective stewardship of the Corporation. The Corporate Governance Committee also conducts an annual confidential survey of each director regarding his or her views on the effectiveness of the Board, its committees and the Chair. Recommendations resulting from the survey are also used to enhance Board composition and improve Board effectiveness.

#### **Current Directorships in Other Issuers**

The participation of the directors of DIRT in other reporting issuers is described in the table below:

<b>Name of Director</b>	<b>Name of Other Reporting Issuer</b>	<b>Stock Exchange Listing</b>
Wayne Boulais	N/A	N/A
Gregory F. Burke	N/A	N/A
Lawrence D. Fairholm	N/A	N/A
Richard Haray	N/A	N/A
Scott Jenkins	N/A	N/A
Denise Karkkainen	N/A	N/A
Christine McGinley	Northview Apartment REIT	TSX
Steve Parry	Grenville Strategic Royalty Corp.	TSX Venture Exchange
Diana Propper de Callejon	N/A	N/A
Mogens Smed	N/A	N/A

### **Board Meetings**

The attendance of the current directors at the Board and its committee meetings for the year ended December 31, 2016 was as follows:

<b>Name of Director</b>	<b>Board Meetings</b>	<b>Audit Committee Meetings</b>	<b>Compensation Committee Meetings</b>	<b>Corporate Governance Committee Meetings</b>
Wayne Boulais	4 / 4	4 / 4	N/A	N/A
Gregory F. Burke <sup>(1)</sup>	4 / 4	N/A	1 / 1	N/A
Lawrence D. Fairholm	3 / 4	3 / 4	4 / 4	5 / 5
Richard Haray <sup>(2)</sup>	1 / 1	N/A	N/A	N/A
Scott Jenkins <sup>(3)</sup>	4 / 4	N/A	N/A	2 / 2
Denise Karkkainen <sup>(4)</sup>	4 / 4	4 / 4	3 / 3	5 / 5
Christine McGinley	3 / 4	4 / 4	N/A	5 / 5
Steve Parry	4 / 4	N/A	N/A	5 / 5
Diana Propper de Callejon	4 / 4	N/A	5 / 5	N/A
Mogens Smed	4 / 4	N/A	N/A	N/A

Name of Director	Board Meetings	Audit Committee Meetings	Compensation Committee Meetings	Corporate Governance Committee Meetings
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Notes:

- (1) Mr. Gregory Burke ceased to be a member of the Compensation Committee effective August 3, 2016.
- (2) Mr. Richard Haray became a director effective November 8, 2016 and a member of the Compensation Committee effective December 16, 2016.
- (3) Mr. Scott Jenkins ceased to be a member of the Corporate Governance Committee effective June 22, 2016.
- (4) Ms. Denise Karkkainen became a member of the Compensation Committee effective August 3, 2016 and attended all committee meetings thereafter.

The Board and its committees conduct in-camera sessions, at which no executive directors or members of management are present. The in-camera sessions are intended not only to encourage the Board and its committees to fully and independently fulfill their mandates or charters, but also to facilitate the performance of the fiduciary duties and responsibilities of the Board and its committees on behalf of Shareholders. For the year ended December 31, 2016, the Board, the Audit Committee, the Compensation Committee and the Corporate Governance Committee held 4, 4, 4 and 3 in-camera sessions, respectively.

### **Board Mandate**

The role of the Board is to focus on the governance and stewardship of the business carried on by the Corporation. In broad terms, the Board will review strategy, assign responsibility for achievement of that strategy, and monitor performance. The Board has developed a written Board Mandate which is attached as Appendix “B” to this Circular.

### **Position Descriptions**

The Board has developed written position descriptions for the Chair, the CEO and the President. The Board has not developed separate written position descriptions for the chair of each Board committee. Instead, the Board has adopted written charters for each Board committee which outline chair responsibilities.

### **Chair of the Board**

The Chair’s scope, duties and responsibilities include, but are not limited to, the following:

- be satisfied that the Board is alert to its obligations to the Corporation and to Shareholders;
- establish the frequency of Board meetings and review such frequency from time to time, as considered appropriate or as requested by the Board;
- set agendas for Board meetings after being satisfied such agenda enables the Board to successfully carry out its duties;
- maintain a liaison and communication with all members of the Board and the committee chairs to co-ordinate input from all members of the Board, and optimize the effectiveness of the Board and its committees;
- be satisfied that the Board receives adequate and regular updates from the CEO on all issues important to the welfare and future of the Company;

- be satisfied that information requested by members of the Board or its committees of the Board is provided and meets their needs;
- review conflict of interest issues with respect to members of the Board as they arise;
- build consensus to enable the Board to act as a team in carrying out its duties and responsibilities; and
- provide advice, counsel and mentorship to the fellow members of the Board.

## **CEO**

The CEO's scope, duties and responsibilities include, but are not limited to, the following:

- provide overall vision and leadership for the long-term success of DIRTT;
- develop a strong organization, in conjunction with the President, to ensure the proper people are in the appropriate positions;
- provide leadership to the President and other executive officers with respect to personal ethics, integrity, planning, development, and operational effectiveness;
- manage relationships, together with the President, CFO, the other executive officers and senior managers, as the case may be, with all external stakeholders;
- set the long-term objectives and business plan strategies of the Corporation, which is reviewed and approved by the Board and assist the President in the development of senior management succession and development plans;
- communication, in a regular fashion, with the Board on material matters affecting the Corporation;
- approve corporate commitments within the limits of delegated approval authorities set by the Board;
- ensure appropriate policies and procedures for the Corporation are developed;
- provide appropriate certifications regarding the Corporation and its activities, as may be required from time to time; and
- institute processes and systems designed to ensure compliance with applicable laws by DIRTT and its officers and employees.

## **President**

The President's scope, duties and responsibilities include, but are not limited to, the following:

- provide direct management and leadership;
- provide input and make staffing recommendations to the CEO and maintain a strong organization with adequate people in the appropriate positions;
- assist the CEO in the development of the long-term objectives and business plan strategies of the Corporation;
- develop, implement and manage the annual business plan, which is required and approved by the CEO and the Board, senior management succession and development plans;
- communicate with the CEO and the Board on all material matters affecting the Corporation;
- assist with managing relationships, together with the CEO and CFO and the other executive officers and senior managers, as the case may be, with external stakeholders;

- approve projects and commitments within the limits of delegated approval authorities set by the Board;
- ensure appropriate policies and procedures of the Corporation are maintained;
- provide appropriate certifications regarding the Corporation and its activities, as may be required from time to time;
- monitor all processes and systems designed to ensure compliance with applicable laws and regulation by DIRT and its officers and employees;
- provide communications with all employees of the Corporation on all pertinent corporation matters; and
- assist the Chair of the Board and CEO in the preparation of Board and committee materials.

### **Orientation and Continuing Education**

The Corporate Governance Committee, with the assistance of the CEO and President, will develop and oversee the execution of a comprehensive orientation and continuing education program for all directors of the Corporation and its subsidiaries. Orientation programs required to on-board new directors will be tailored to the needs and areas of expertise of the individual and will focus on providing new directors with:

- information about the duties and obligations of directors;
- information about the Corporation's business and operations;
- the expectations of directors
- opportunities to meet with management; and
- access to relevant documents from recent Board meetings.

Continuing education sessions and plans for the Board will ensure that directors are kept informed as to matters impacting, or which may impact, the Corporation's strategies, major risks and/or operations.

The Corporate Governance Committee will recommend resources required to execute said plans, for Board approval.

### **Ethical Business Conduct**

#### ***Code of Conduct***

The Board has developed a Code of Conduct called The DIRT Code: Our Way of Doing Business (the "**Code**"), for its directors, officers, employees, and contractors. A complete copy of the Code is available on SEDAR at <http://www.sedar.com>. The Code addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of the Corporation's assets, compliance with applicable laws, rules and regulations (including insider trading laws) and the reporting of illegal or unethical behavior. All directors, officers, employees and contractors are required to report violations of the Code in accordance with the procedures set forth therein and in the Integrity Program (the "**Integrity Program**"). The Integrity Program also promotes, among other things, the disclosure and reporting of any questionable accounting or auditing matters, fraudulent or misleading financial information. The Corporate Governance Committee is mandated to monitor compliance with the Code and to periodically review and assess the Code.

In accordance with the Code and the Business Corporations Act (Alberta), each director must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest. Directors, officers, employees and contractors are encouraged to terminate any relationship or interest that gives rise to a conflict of interest that cannot be resolved. In addition, directors, officers, employees and contractors are encouraged to disclose all opportunities to dispose of conflicting interest before any difficulty arises.

The Corporate Governance Committee will make recommendations to the Board of Directors regarding all proposed related party transactions and situations involving any potential conflict of interest that is not required to be dealt with by an “independent special committee” pursuant to applicable securities legislation.

The Board has also developed a Disclosure and Insider Trading Policy for its directors, officers, employees, and contractors. The Disclosure and Insider Trading Policy promotes consistent disclosure practices and proper trading practices, in accordance with applicable securities legislation.

### **Nomination of Directors**

The Board does not have a nominating committee; however, the Corporate Governance Committee is mandated to identify potential Board candidates. The Corporate Governance Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Directors and representatives in the relevant industries of the Corporation are consulted for possible candidates. All Corporate Governance Committee discussions regarding potential Board candidates are held in in-camera sessions.

### **Representation of Women**

The Corporation has not established formal policies or targets regarding the representation of women on the Board or in executive officer positions. Board candidates and executive officers are selected solely based on merit. The Corporation and the Board is, however, committed to fostering an open and inclusive workplace culture which includes recruitment, nomination and selection processes that recognize the benefits of a diversity of views and do not discriminate on the basis of race, gender or other arbitrary factors. Women have been, and will continue to be, considered by the Corporation, the Board and the Corporate Governance Committee in the making of executive officer appointments and director nominations. Currently, there are three women on the Board (representing approximately 30% of the Board) and one woman in executive officer positions (representing approximately 14% of the executive officer team).

### **Compensation**

See “Executive Compensation” and “Director Compensation”.

## **Board Committees**

The Board has three standing committees, being the Audit Committee, the Compensation Committee and the Corporate Governance Committee. The following is a description of the committees and their current membership.

### ***Audit Committee***

**Chair:** Christine McGinley

**Members:** 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. The Board has developed a written charter setting forth the responsibilities, powers and operations of the Audit Committee. The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to:

- the integrity of the Corporation's financial statements;
- the Corporation's compliance with legal and regulatory requirements related to financial reporting;
- the qualifications, independence and performance of the Corporation's auditor; and
- the design, implementation and maintenance of internal controls and disclosure controls.

The Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors. The Audit Committee meets at least four times annually.

Further information relating to the Audit Committee can be found under the heading "Audit Committee" in the Corporation's annual information form for the year ended December 31, 2016 and filed on SEDAR at <http://www.sedar.com>.

### ***Compensation Committee***

**Chair:** Diana Propper de Callejon

**Members:** Lawrence D. Fairholm, Richard Haray and Denise Karkkainen

The Board has determined that all of the members of the Compensation Committee are independent as such term is defined by NI 52-110. The Board has developed a written charter setting forth the responsibilities, powers and operations of the Compensation Committee. The Compensation Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to:

- the selection and retention of senior management;
- the compensation of senior management;
- professional development for senior management; and
- the management of benefit plans for employees.

The Compensation Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors. The Compensation Committee meets at least two times annually.

### ***Corporate Governance Committee***

**Chair:** Denise Karkkainen

**Members:** Lawrence D. Fairholm, Christine McGinley and Steve Parry

The Board has determined that all of the members of the Corporate Governance Committee are independent as such term is defined by NI 52-110. The Board has adopted a written charter setting forth the responsibilities, powers and operations of the Corporate Governance Committee. The Corporate Governance Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to:

- the Corporation's overall approach to corporate governance;
- the size, composition and structure of the Board and its committees;
- orientation and continuing education for directors; and
- related party transactions and other matters involving conflicts of interest;

The Corporate Governance Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors. The Corporate Governance Committee meets at least four times annually.

#### **Assessments**

The Corporate Governance Committee has responsibility for ensuring that there is an annual process in place for evaluating the effectiveness and contribution of the Board, its committees and the individual directors. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Board deems relevant, the assessments will consider in the case of the Board or a committee, the applicable terms of reference, as well as the competencies and skills each individual director is expected to bring to the Board.

## **Appendix “B” Board Mandate**

### **A. Accountability**

The Board of Directors (the “Board”) of the Corporation is responsible for overseeing the management of the business and affairs of the Corporation.

### **B. Role**

The role of the Board is to focus on governance and stewardship of the business carried on by the Corporation and its subsidiaries as a whole. In broad terms, stewardship of the Corporation involves the Board in strategic planning, risk management, internal control integrity and external reporting and compliance. The Board will review and approve strategy and monitor performance against those strategic objectives. In fulfilling this role, the Board will regularly review the strategic plans developed by management so that they continue to be responsive to the changing business environment in which the Corporation and its subsidiaries operate.

### **C. Responsibilities**

In fulfilling its role, the Board will:

#### **1. Oversee Stakeholder Communication**

Satisfy itself that there is effective communication between the Corporation (both the Board and management) and the Corporation’s securityholders, other stakeholders and the public by ensuring that the Corporation’s communication and disclosure policies and processes set forth under “L” below are reviewed annually by the Board.

#### **2. Establish Strategic Goals, Performance Objectives and Operational Policies**

The Board will adopt a strategic planning process and will review and approve broad strategic corporate objectives and establish corporate values against which the performance of the Corporation and its subsidiaries will be measured. In this regard, the Board will, at least annually:

- a) Approve long-term strategies which take into account, among other things, the opportunities and risks of the Corporation’s and its subsidiaries’ business.
- b) Review and approve strategic and operational policies and budgets developed by management and within which management of the Corporation and its subsidiaries will operate so that they are consistent with long-term goals.
- c) Set targets against which to measure corporate and executive performance of the Corporation and its subsidiaries.

- d) Satisfy itself that a portion of executive compensation is linked appropriately to the Corporation's performance.

### **3. Delegate Management Authority to the Chief Executive Officer and the President**

- a) Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management of the Corporation and its subsidiaries.
- b) Delegate to the Chief Executive Officer, the President and such other executive officers as it determines appropriate, the authority to manage the business of the Corporation and its subsidiaries and to make decisions regarding the ordinary course of business and operations in accordance with the Corporation's Delegation of Authority, and ensure that the Delegation of Authority is reviewed annually by the Board.
- c) Satisfy itself as to the integrity of the Chief Executive Officer, the President and the other executive officers and that such individuals create a culture of integrity throughout the Corporation and its subsidiaries.

### **4. Monitor Risk, Compliance and Corporate Performance**

- a) Assess and monitor the principal risks of all aspects of the businesses in which the Corporation and its subsidiaries are engaged.
- b) Monitor performance of the Corporation and its subsidiaries against both short-term and long-term strategic plans and annual performance targets, monitor compliance with Board policies and procedures by which the Corporation operates, and monitor the effectiveness of risk management practices.
- c) Verify that the Corporation has implemented and maintains adequate and effective internal controls and management information systems which ensure the effective discharge of the Board's oversight responsibilities, including the Corporation's compliance with legal and regulatory requirements related to the financial and other continuous disclosure reporting.
- d) Set the tone for the Corporation and management so as to foster ethical and responsible decision-making by management of the Corporation, and ensure that the DIRT Code – Our Way of Doing Business (the "Code") is reviewed annually by the Board.

### **5. Develop Board Processes**

- a) Develop procedures relating to the conduct of the Board's business and the fulfillment of the Board's responsibilities.

- b) Develop the Board's approach to corporate governance through the Corporate Governance Committee.

#### **D. Qualifications of Directors**

Directors are expected to have the highest personal and professional ethics and values and be committed to advancing the best interests of the Corporation. They are also expected to possess skills and competencies in areas that are relevant to the Corporation's activities and that enhance the ability of the Board to effectively supervise the business and affairs of the Corporation and its subsidiaries.

A majority of the Board must be independent. Independence shall have the meaning, as the context requires, given to it in National Instrument 52-110, Audit Committees, as may be amended from time to time. The Chair of the Board (the "Chair") is expected to be an independent director but, if the Chair is not independent, then there will be an independent lead director. The Chair should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

Each director must have an understanding of the Corporation's and its subsidiaries' principal operational and financial objectives, plans and strategies, financial position and performance as well as the performance of the Corporation and its subsidiaries relative to their principal competitors. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership.

Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Corporate Governance Committee and, if determined appropriate by the Board on the recommendation of the Corporate Governance Committee, resign from the Board.

#### **E. Majority Voting Policy**

At meetings of shareholders at which directors are to be elected, shareholders will vote in favor of, or withhold from voting for, each nominee separately. If, with respect to any particular nominee, the number of votes withheld exceeds the votes cast in favor of the nominee, then for purposes of this majority voting policy the nominee shall be considered not to have received the support of the shareholders, even though duly elected as a matter of corporate law.

An individual elected as a director who is considered under this majority voting policy not to have the support or confidence of the shareholders is expected forthwith to submit to the Chair his or her resignation from the Board. The Corporate Governance Committee is expected to recommend acceptance of the resignation offer except in situations where exceptional circumstances would warrant the director continuing to serve on the Board. In considering whether or not to recommend acceptance of the resignation offer, the Corporate Governance Committee shall consider all factors deemed relevant by members of the Corporate Governance Committee including, without limitation, the stated reason or reasons why shareholders "withheld" votes from the election of the director, the length of service and the qualifications of the director (including, for example, the impact the director's resignation would have

on the Corporation's compliance with the requirements of applicable corporate and securities laws and the rules of any stock exchange on which the Corporation's securities are listed or posted for trading), such director's contribution to the Corporation, and whether the director's resignation from the Board would be in the best interests of the Corporation. In reviewing the Corporate Governance Committee's recommendation, the Board shall consider the factors considered by the Corporate Governance Committee and such additional information and factors as the Board considers to be relevant. The Board is expected to accept the recommendation of the Corporate Governance Committee and to otherwise accept the resignation offer except in situations where exceptional circumstances would warrant the director continuing to serve on the Board. A director who has tendered a resignation pursuant to this policy will not participate in any deliberations of the Corporate Governance Committee or the Board with respect to his or her resignation.

Within ninety (90) days of receiving a director's resignation, the Board will make a decision and issue a press release either announcing the resignation of the director or explaining why it has not been accepted, a copy of which press release must be provided to the Toronto Stock Exchange. Any resignation will be effective when accepted by the Board.

Subject to any corporate law restrictions, the Board may: (i) leave the resultant vacancy unfilled until the next annual meeting of shareholders; (ii) fill the vacancy through the appointment of a new director who merits the confidence of the shareholders; or (iii) call a special meeting of shareholders to fill the vacant position.

This majority voting policy does not apply to contested elections in which the number of director nominees for election is greater than the number of director positions on the Board. In contested elections, the directors shall be elected by the vote of a plurality of the votes cast.

## **F. Meetings**

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

### **1. Scheduling**

The Board will meet as often as it determines is necessary to fulfill its responsibilities. A meeting of the Board may be called by the Chair, the Chief Executive Officer, the President or any two Board members. The independent directors will hold an in-camera session at each meeting of the Board at which members of management and non-independent directors shall not be in attendance. Meetings will be held at a location determined by the Chair.

### **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 forty eight (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 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 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 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 of the Board will constitute a quorum for any meeting of the Board.

### **7. Voting and Approval**

At meetings of the Board, 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 will not have a second or casting vote in addition to his or her original vote.

### **8. Procedures**

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

### **9. Transaction of Business**

The powers of the Board 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 Board.

### **10. Absence of Chair**

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

## **11. Absence of Secretary**

In the absence of the Secretary at a meeting of the Board, the Board may appoint one of its members or any other person to act as secretary.

## **12. Committees**

The Board uses committees to undertake detailed reviews and to provide in-depth oversight in key areas of Board responsibility. The Board may establish committees as it sees fit, and may delegate to the committees any powers of the Board except the power to fill vacancies in the Board, or to approve or remove officers appointed by the Board.

Current standing committees of the Board are:

- a) Audit Committee;
- b) Corporate Governance Committee; and
- c) Human Resources & Compensation Committee.

Each committee will establish a separate written charter which sets out the powers and duties of the committee, accountability, and its rules and procedures.

## **G. Service on Other Boards and Audit Committee**

The Board does not believe that its members should be prohibited from serving on the boards of other companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another company and, as a general rule, directors are not allowed to join a board of another company on which two or more other directors of the Corporation serve. In addition, directors cannot be on the board of a direct competitor of the Corporation.

Directors may not serve on the Board if they are on more than four public company boards. Directors who serve as Chief Executive Officer at a public company may not serve on the Board if they are on more than one outside public company board.

Members of the Audit Committee may not serve on the audit committees of more than two other public companies without the prior approval of the Board.

## **H. Access to Outside Advisors and Records**

The Board may retain any outside advisor at the expense of the Corporation at any time and has the authority to determine any such advisors' fees and other retention terms. Any director may, subject to the approval of the Chair, retain an outside advisor at the expense of the Corporation.

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

## **I. Evaluation of Board, Directors and Committees**

Through the Corporate Governance Committee, the Board will undertake annual evaluations of the effectiveness of the Board as a whole, all committees of the Board, and each individual director to ensure they are fulfilling their respective roles and responsibilities.

## **J. Orientation and Continuing Education of Directors**

The Corporation is best served by a Board comprised of individuals who are well versed in modern principles of corporate governance and other subject matters relevant to Board service and who thoroughly comprehend the role and responsibilities of an effective Board in the oversight and management of the Corporation and its subsidiaries. On behalf of the Board, the Corporate Governance Committee will confirm that procedures are in place and resources are made available to provide new directors with a proper orientation to both the Corporation and their responsibilities and duties as directors, and to provide other directors with appropriate continuing education opportunities.

## **K. Management**

### **1. Management's Role**

- a) The primary responsibility of management of the Corporation and its subsidiaries is to preserve and enhance long-term value, ensure the Corporation meets its obligations on an ongoing basis and ensure the Corporation operates in a reliable and responsible manner. When performance is found to be inadequate, the Board has the responsibility to bring about appropriate change.
- b) In managing the Corporation, management should also have regard to the legitimate interests of the Corporation's other stakeholders, such as the Corporation's employees, distribution partners, creditors and the communities in which the Corporation operates.

### **2. Management's Relationship to the Board**

- a) Senior management of the Corporation and its subsidiaries, primarily through the Chief Executive Officer and the President, reports to and is accountable to the Board, or the board of such subsidiary which, in turn, is accountable to the Board.
- b) Business plans are developed to ensure the compatibility of securityholder, Board and senior management views on the Corporation's and its subsidiaries' strategic direction, performance targets and utilization of shareholders' equity. A special meeting of the Board is held each year to review the strategic initiatives and the business plan submitted by senior management of the Corporation and its subsidiaries.

### **3. Board Access to Business Information and Management**

Information provided by and access to management is critical to Board effectiveness. In addition to the reports presented to the Board at its regular and special meetings, the Board is also kept informed on a timely basis by management of the Corporation and its subsidiaries with respect to developments and key decisions taken by management in the execution of the Corporation's and its subsidiaries' strategic and business plans. The directors periodically assess the quality, completeness and timeliness of information provided by management to the Board.

### **4. Management Performance Review and Rewards**

- a) The Compensation Committee annually reviews the position description of the Chief Executive Officer and the President and establishes goals and objectives against which his or her performance is reviewed, with his or her compensation being assessed against these agreed goals and objectives. Similar reviews and assessments are undertaken for other members of senior management in consultation with the Chief Executive Officer and the President.
- b) The compensation plans of the Corporation and its subsidiaries are based on maintaining a direct link between management rewards and the achievement of agreed goals and objectives while ensuring that such plans do not induce inappropriate risk-taking.

### **L. Communication and Disclosure Policies**

The Corporation has adopted a Disclosure and Insider Trading Policy which summarizes its policies and practices regarding disclosure of material information to investors, analysts and the media. The purpose of Disclosure and Insider Trading Policy is to ensure that the Corporation's communications with the investment community are timely, consistent and in compliance with all applicable securities legislation. The Disclosure and Insider Trading Policy is reviewed annually by the Board and will be available on the Corporation's website.

The Corporation endeavors to keep its securityholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. It also maintains a website that provides summary information about the Corporation and ready access to its published reports, press releases, statutory filings and supplementary information provided to analysts and investors. Directors and management meet with the Corporation's securityholders at the annual meeting and are available to receive feedback and respond to questions at that time.

The Corporation also maintains an investor relations program to respond to inquiries in a timely manner. Management meets on a regular basis with investment analysts, financial advisors and interested members of the public to ensure that accurate information is available to investors, including quarterly conference calls and webcasts to discuss the Corporation's financial results. The Corporation also

endeavors to ensure that the media is kept informed of developments as they occur, and have an opportunity to meet and discuss these developments with the Corporation's designated spokespersons.

**M. Code of Conduct and Ethics**

The Board expects all directors, officers and employees of the Corporation and its subsidiaries to conduct themselves in accordance with the highest ethical standards and to adhere to the Code. Waivers of the Code will only be granted in exceptional circumstances where the waiver would not be inconsistent with the spirit of the Code and following consultation with legal counsel. Any waiver of the Code for officers or directors may only be made by the Board or the Corporate Governance Committee and will be disclosed to securityholders by the Corporation to the extent required by law, regulation or stock exchange requirement. Employees, other than officers, may seek waivers from the Chief Executive Officer or the President and any such waivers will be promptly reported to the Board.

**APPENDIX “C”**

**AMENDED AND RESTATED  
SHAREHOLDER RIGHTS PLAN AGREEMENT**

**DATED AS OF**

**March 21, 2017**

**BETWEEN**

**DIRTT ENVIRONMENTAL SOLUTIONS LTD.**

**AND**

**COMPUTERSHARE INVESTOR SERVICES INC.**

**AS RIGHTS AGENT**

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ATTACHMENT 1  
FORM OF ASSIGNMENT  
FORM OF ELECTION TO EXERCISE  
NOTICE

**AMENDED AND RESTATED  
SHAREHOLDER RIGHTS PLAN AGREEMENT**

AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT, dated as of March 21, 2017 (amending and restating the shareholder rights plan agreement dated as of April 3, 2014) between DIRTT Environmental Solutions Ltd. (the “**Corporation**”), a corporation amalgamated under the laws of the Province of Alberta and Computershare Investor Services Inc., a trust company continued under the laws of Canada and registered to carry on business in all provinces of Canada (the “**Rights Agent**”);

WHEREAS effective April 3, 2014, the Board of Directors (as hereinafter defined), in the exercise of its fiduciary duties to the Corporation, has determined that it is advisable for the Corporation to adopt the shareholder rights plan as provided herein to prevent, to the extent possible, a creeping takeover of the Corporation and to ensure, to the extent possible, the fair treatment of all shareholders in connection with any take-over bid for the securities of the Corporation, and to ensure that the Board of Directors is provided with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize shareholder value;

AND WHEREAS effective March 21, 2017, the Board of Directors approved certain amendments to the Corporation’s shareholder rights plan (as amended and restated herein, the “**Rights Plan**”);

AND WHEREAS in order to continue the Rights Plan as established by this Agreement (as hereinafter defined), the Board of Directors has confirmed its:

- (a) authorization and issuance, effective at the close of business (Calgary time) on the Effective Date (as hereinafter defined), of one Right (as hereinafter defined) in respect of each Common Share (as hereinafter defined) outstanding at the close of business (Calgary time) on the Effective Date (the “**Record Time**”);
- (b) authorization and issuance of one Right in respect of each Voting Share of the Corporation issued after the Record Time and prior to the earlier of the Separation Time (as hereinafter defined) and the Expiration Time (as hereinafter defined); and
- (c) authorization and issuance of Rights Certificates (as hereinafter defined) to holders of Rights pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS the Corporation desires to appoint the Rights Agent to act on behalf of the Corporation and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to herein;

NOW THEREFORE in consideration of the premises and the respective covenants and agreements set forth herein, and subject to such covenants and agreements, the parties hereby agree as follows:

**ARTICLE 1  
INTERPRETATION**

**1.1 Certain Definitions**

For purposes of this Agreement, the following terms have the meanings indicated:

- (a) “**ABCA**” shall mean the *Business Corporations Act* (Alberta);
- (b) “**Acquiring Person**” shall mean any Person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares; provided, however, that the term “**Acquiring Person**” shall not include:
  - (i) the Corporation or any Subsidiary of the Corporation;

- (ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of:
  - (A) a Voting Share Reduction;
  - (B) a Permitted Bid Acquisition;
  - (C) an Exempt Acquisition;
  - (D) a Pro Rata Acquisition; or
  - (E) a Convertible Security Acquisition;

provided, however, that if a Person becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares by reason of one or any combination of the operation of Paragraphs (A), (B), (C), (D) or (E) above and such Person's Beneficial Ownership of Voting Shares thereafter increases by more than 1% of the number of Voting Shares outstanding (other than pursuant to one of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition or any combination thereof), then as of the date such Person becomes the Beneficial Owner of such additional Voting Shares, such Person shall become an **"Acquiring Person"**;

- (iii) for a period of ten days after the Disqualification Date, any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Subsection 1.1(g)(B) solely because such Person is making or has announced a current intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, **"Disqualification Date"** means the first date of public announcement that any Person is making or intends to make a Take-over Bid;
  - (iv) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the Voting Shares in connection with a distribution of securities of the Corporation pursuant to an underwriting agreement with the Corporation; or
  - (v) a Person (a **"Grandfathered Person"**) who is the Beneficial Owner of 20% or more of the outstanding Voting Shares determined as at the Record Time, provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Record Time, become the Beneficial Owner of any additional Voting Shares that increases its Beneficial Ownership of Voting Shares by more than 1% of the number of Voting Shares outstanding, other than through one of a Permitted Bid Acquisition, an Exempt Acquisition, a Voting Share Reduction, a Pro Rata Acquisition or a Convertible Security Acquisition or any combination thereof; and provided, further, that a Person shall cease to be a Grandfathered Person in the event that such Person ceases to Beneficially Own 20% or more of the then outstanding Voting Shares at any time after the Record Time;
- (c) **"Affiliate"**, when used to indicate a relationship with a specified Person, shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person;
  - (d) **"Agreement"** shall mean this amended and restated shareholder rights plan agreement dated as of March 21, 2017 (amending and restating the shareholder rights plan agreement dated as of April 3, 2014) between the Corporation and the Rights Agent, as amended or supplemented from time to time; "hereof", "herein", "hereto" and similar expressions mean and refer to this Agreement as a whole and not to any particular part of this Agreement;

- (e) “**annual cash dividend**” shall mean cash dividends paid in any fiscal year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate on a per share basis, in any fiscal year, the greater of:
- (i) 200% of the aggregate amount of cash dividends, on a per share basis, declared payable by the Corporation on its Common Shares in its immediately preceding fiscal year;
  - (ii) 300% of the arithmetic mean of the aggregate amounts of the cash dividends, on a per share basis, declared payable by the Corporation on its Common Shares in its three immediately preceding fiscal years; and
  - (iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year divided by the number of Common Shares outstanding as at the end of such fiscal year;
- (f) “**Associate**” shall mean, when used to indicate a relationship with a specified Person, a spouse of that Person, any Person of the same or opposite sex with whom that Person is living in a conjugal relationship outside marriage, a child of that Person and a relative of that Person if that relative has the same residence as that Person;
- (g) A Person shall be deemed the “**Beneficial Owner**” of, and to have “**Beneficial Ownership**” of, and to “**Beneficially Own**”:
- (i) any securities as to which such Person or any of such Person’s Affiliates or Associates is the owner at law or in equity;
  - (ii) any securities as to which such Person or any of such Person’s Affiliates or Associates has the right to become the owner at law or in equity (where such right is exercisable within a period of 105 days, whether or not on condition or on the happening of any contingency) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing, or upon the exercise of any conversion, exchange or purchase right (other than the Rights) attaching to a Convertible Security, including but not limited to any lock-up agreement or similar agreement, arrangement or understanding that is not a Permitted Lock-Up Agreement; other than pursuant to (x) customary agreements between the Corporation and underwriters or between underwriters and/or banking group members and/or selling group members with respect to a distribution of securities by the Corporation, (y) pledges of securities in the ordinary course of business, and (z) any agreement between the Corporation and any Person or Persons relating to a plan of arrangement, amalgamation or other statutory procedure which is subject to the approval of the holders of Voting Shares;
  - (iii) any securities which are Beneficially Owned within the meaning of Subsections 1.1(g)(i) or (ii) by any other Person with which such Person is acting jointly or in concert;

provided, however, that a Person shall not be deemed the “**Beneficial Owner**” of, or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security:

- (A) where such security has been deposited or tendered pursuant to any Take-over Bid or where the holder of such security has agreed pursuant to a Permitted Lock-Up Agreement to deposit or tender such security pursuant to a Take-Over Bid, in each case made by such Person, made by any of such Person’s Affiliates or Associates or made by any other Person acting jointly or in concert with such Person, until such deposited or tendered security has been taken up or paid for, whichever shall first occur;
- (B) where such Person, any of such Person’s Affiliates or Associates or any other Person referred to in Subsection 1.1(g)(iii), holds such security provided that:

- (1) the ordinary business of any such Person (the “**Investment Manager**”) includes the management of mutual funds or investment funds for others (which others, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans and/or includes the acquisition or holding of securities for a non-discretionary account of a Client by a dealer or broker registered under applicable securities laws to the extent required) and such security is held by the Investment Manager in the ordinary course of such business and in the performance of such Investment Manager’s duties for the account of any other Person or Persons (a “**Client**”);
- (2) such Person (the “**Trust Company**”) is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each an “**Estate Account**”) or in relation to other accounts (each an “**Other Account**”) and holds such security in the ordinary course of such duties for such Estate Accounts or for such Other Accounts;
- (3) such Person is a pension plan or fund registered under the laws of Canada or any Province thereof or the laws of the United States of America (a “**Plan**”) or is a Person established by statute for purposes that include, and the ordinary business or activity of such Person (the “**Statutory Body**”) includes, the management of investment funds for employee benefit plans, pension plans, insurance plans of various public bodies; or
- (4) such Person (the “**Administrator**”) is the administrator or trustee of one or more Plans and holds such security for the purposes of its activities as an Administrator;

provided, in any of the above cases, that the Investment Manager, the Trust Company, the Statutory Body, the Administrator or the Plan, as the case may be, is not then making and has not then announced an intention to make a Take-over Bid (other than an Offer to Acquire Voting Shares or other securities by means of a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over-the-counter market), alone or by acting jointly or in concert with any other Person;

- (C) only because such Person or any of such Person’s Affiliates or Associates is (1) a Client of the same Investment Manager as another Person on whose account the Investment Manager holds such security, (2) an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security, or (3) a Plan with the same Administrator as another Plan on whose account the Administrator holds such security provided, however, that such Person is not then making and has not then announced an intention to make a Take-over Bid (other than an Offer to Acquire Voting Shares or other securities by means of a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over the counter market), alone or by acting jointly or in concert with any other Person;
- (D) only because such Person is (1) a Client of an Investment Manager and such security is owned at law or in equity by the Investment Manager, (2) an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company or (3) a Plan and such security is owned at law or in equity by the Administrator of the Plan provided, however, that such Person is not then making and has not then announced an intention to make a

Take-over Bid (other than an Offer to Acquire Voting Shares or other securities by means of a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over the counter market), alone or by acting jointly or in concert with any other Person; or

- (E) where such person is the registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository provided, however, that such Person is not then making and has not then announced an intention to make a Take-over Bid (other than an Offer to Acquire Voting Shares or other securities by means of a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over the counter market), alone or by acting jointly or in concert with any other Person;
- (h) “**Board of Directors**” shall mean the board of directors of the Corporation or any duly constituted and empowered committee thereof;
- (i) “**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which banking institutions in Calgary, Alberta are authorized or obligated by law to close;
- (j) “**Canadian Dollar Equivalent**” of any amount which is expressed in United States dollars shall mean on any day the Canadian dollar equivalent of such amount determined by reference to the U.S.-Canadian Exchange Rate in effect on such date;
- (k) “**close of business**” on any given date shall mean the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal office of the transfer agent for the Common Shares (or, after the Separation Time, the principal transfer office of the Rights Agent) is closed to the public;
- (l) “**Common Shares**” shall mean the common shares in the capital of the Corporation as presently constituted, as such shares may be subdivided, consolidated, reclassified or otherwise changed from time to time;
- (m) “**Competing Permitted Bid**” shall mean a Take-over Bid which also complies with the following additional provisions:
  - (i) the Take-over bid is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry, termination or withdrawal of such Permitted Bid or Competing Permitted Bid;
  - (ii) the Take-over Bid complies with all of the provisions of a Permitted Bid other than the condition set forth in Subsection (iii) of the definition of a Permitted Bid; and
  - (iii) no Voting Shares are taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date that is the last day of the initial deposit period that the Offeror must allow securities to be deposited under the Take-over Bid pursuant to NI 62-104;provided that, should a Competing Permitted Bid cease to be a Competing Permitted Bid because it ceases to meet any or all of the requirements mentioned above prior to the time it expires (after giving effect to any extension) or is withdrawn, then any acquisition of Voting Shares made pursuant to such Competing Permitted Bid, including any acquisition of Voting Shares made prior to such time, shall not be a Permitted Bid Acquisition.
- (n) A specified Person is “**controlled**” by another Person or two or more Persons acting jointly or in concert if:

- (i) securities entitled to vote in the election of directors carrying more than 50 percent of the votes for the election of directors are held, directly or indirectly, by or on behalf of the other Person or two or more Persons acting jointly or in concert and the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate;
- (ii) in the case of a specified Person that is a partnership that does not have directors, other than a limited partnership, the other Person holds more than 50 percent of the interests in the partnership; or
- (iii) in the case of a specified Person that is a limited partnership, the other Person is the general partner of the limited partnership;

and “**controls**”, “**controlling**” and “**under common control with**” shall be interpreted accordingly;

- (o) “**Convertible Security**” shall mean a security convertible, exercisable or exchangeable into a Voting Share and a “**Convertible Security Acquisition**” shall mean an acquisition by a Person of Voting Shares upon the exercise, conversion or exchange of a Convertible Security received by a Person pursuant to a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition;
- (p) “**Co-Rights Agents**” shall have the meaning ascribed thereto in Subsection 4.1(a);
- (q) “**Disposition Date**” shall have the meaning ascribed thereto in Subsection 5.1(d);
- (r) “**Dividend Reinvestment Acquisition**” shall mean an acquisition of Voting Shares of any class pursuant to a Dividend Reinvestment Plan;
- (s) “**Dividend Reinvestment Plan**” shall mean a regular dividend reinvestment or other plan of the Corporation made available by the Corporation to holders of its securities where such plan permits the holder to direct that some or all of:
  - (i) dividends paid in respect of shares of any class of the Corporation;
  - (ii) proceeds of redemption of shares of the Corporation;
  - (iii) interest paid on evidences of indebtedness of the Corporation; or
  - (iv) optional cash payments;

be applied to the purchase from the Corporation of Voting Shares;

- (t) “**Effective Date**” shall mean April 3, 2014;
- (u) “**Election to Exercise**” shall have the meaning ascribed thereto in Subsection 2.2(d)(ii);
- (v) “**Exempt Acquisition**” shall mean an acquisition by a Person of Voting Shares and/or Convertible Securities:
  - (i) in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Subsection 5.1(b), (c) or (d);
  - (ii) pursuant to a distribution of Voting Shares and/or Convertible Securities made by the Corporation (A) to the public pursuant to a prospectus or similar document, provided that such Person does not thereby become the Beneficial Owner of a greater percentage of Voting Shares so offered than the percentage of Voting Shares Beneficially Owned by such Person immediately prior to such distribution, or (B) pursuant to a distribution, provided that (x) all necessary stock exchange approvals for such private placement have been

obtained and such distribution complies with the terms and conditions of such approvals, and (y) such Person does not thereby become the Beneficial Owner of Voting Shares equal in number to more than 25% of the Voting Shares outstanding immediately prior to the distribution and, in making this determination, the securities to be issued to such Person on the distribution shall be deemed to be held by such Person but shall not be included in the aggregate number of Voting Shares outstanding immediately prior to the distribution; or

- (iii) pursuant to an amalgamation, merger, arrangement or other statutory procedure requiring shareholder approval;
- (w) “**Exercise Price**” shall mean, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right which, until adjustment thereof in accordance with the terms hereof, shall be:
  - (i) until the Separation Time, an amount equal to three times the Market Price, from time to time, per Common Share; and
  - (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Common Share;
- (x) “**Expansion Factor**” shall have the meaning ascribed thereto in Subsection 2.3(a)(x);
- (y) “**Expiration Time**” means the earlier of:
  - (i) the Termination Time; and
  - (ii) the date of termination of this Agreement pursuant to Sections 5.17 or 5.18.
- (z) “**Flip-in Event**” shall mean a transaction in or pursuant to which any Person becomes an Acquiring Person;
- (aa) “**holder**” shall have the meaning ascribed thereto in Section 2.8;
- (bb) “**Independent Shareholders**” shall mean holders of Voting Shares, other than:
  - (i) any Acquiring Person;
  - (ii) any Offeror, other than a Person who, by virtue of Subsection 1.1(g)(B), is not deemed to Beneficially Own such Voting Shares at the relevant time;
  - (iii) any Affiliate or Associate of such Acquiring Person or Offeror;
  - (iv) any Person acting jointly or in concert with such Acquiring Person or Offeror; and
  - (v) any employee benefit plan, deferred profit sharing plan, stock participation plan and any other similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-over Bid;
- (cc) “**Market Price**” per share of any securities on any date of determination shall mean the average of the daily closing prices per share of such securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each

such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per share of any securities on any date shall be:

- (i) the closing board lot sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal Canadian stock exchange on which such securities are listed or admitted to trading;
- (ii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange, the last sale price or, in case no such sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over-the-counter market, as quoted by any reporting system then in use; or
- (iii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or quoted by any such reporting system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected in good faith by the Board of Directors;

provided, however, that if for any reason none of such prices is available on such day, the closing price per share of such securities on such date means the fair value per share of such securities on such date as determined by a nationally or internationally recognized investment dealer or investment banker with respect to the fair value per share of such securities. The Market Price shall be expressed in Canadian dollars and, if initially determined in respect of any day forming part of the 20 consecutive Trading Day period in question in United States dollars, such amount shall be translated into Canadian dollars on such date at the Canadian Dollar Equivalent thereof;

- (dd) “**Meeting**” means the annual and special meeting of shareholders of the Corporation to be held on May 3, 2017 or any adjournment or postponement thereof;
- (ee) “**NI 62-104**” means National Instrument 62-104 – *Take-Over Bids and Issuer Bids*;
- (ff) “**Nominee**” shall have the meaning ascribed thereto in Subsection 2.2(c);
- (gg) “**Offer to Acquire**” shall include:
  - (i) an offer to purchase or a solicitation of an offer to sell Voting Shares or a public announcement of an intention to make such an offer or solicitation; and
  - (ii) an acceptance of an offer to sell Voting Shares, whether or not such offer to sell has been solicited;or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell;
- (hh) “**Offeror**” shall mean a Person who has made a public announcement of a current intention to make or who is making a Take-over Bid but only so long as the Take-over Bid so announced or made has not been withdrawn or terminated or has not expired;
- (ii) “**Permitted Bid**” shall mean a Take-over Bid, made by an Offeror by way of take-over bid circular, which also complies with the following additional provisions:
  - (i) the Take-over Bid is made to all holders of Voting Shares on the books of the Corporation, other than the Offeror;

- (ii) no Voting Shares are taken up or paid for pursuant to the Take-over Bid unless more than 50% of the Voting Shares held by Independent Shareholders (x) shall have been deposited or tendered pursuant to the Take-over Bid and not withdrawn and (y) have previously been or are taken up at the same time;
- (iii) no Voting Shares are taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date that is no earlier than the earlier of (A) 105 days following the date of the Take-over Bid and (B) the last day of the initial deposit period that the Offeror must allow securities to be deposited under the Take-over Bid pursuant to NI 62-104;
- (iv) Voting Shares may be deposited pursuant to such Take-over Bid at any time during the period of time between the date of the Take-over Bid and the date on which Voting Shares may be taken up and paid for and any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for; and
- (v) if on the date on which Voting Shares may be taken up and paid for under the Take-over Bid, more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the Take-over Bid and not withdrawn, the Offeror makes a public announcement of that fact and the Take-over Bid is extended to remain open for deposits and tenders of Voting Shares for not less than ten Business Days from the date of such public announcement.

For purposes of this Agreement, (A) should a Take-over Bid which qualified as a Permitted Bid cease to be a Permitted Bid because it ceases to meet any or all of the requirements mentioned above prior to the time it expires (after giving effect to any extension) or is withdrawn, any acquisition of Voting Shares made pursuant to such Take-over Bid shall not be a Permitted Bid Acquisition and (B) the term “Permitted Bid” shall include a Competing Permitted Bid;

- (jj) **“Permitted Bid Acquisition”** shall mean an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (kk) **“Permitted Lock-Up Agreement”** shall mean an agreement between a Person and one or more holders of Voting Shares pursuant to which such holders (each a **“Locked-Up Person”**) agree to deposit or tender Voting Shares to a Take-Over Bid (the **“Lock-Up Bid”**) made or to be made by such Person or any of such Person’s Affiliates or Associates or any other Person with which such Person is acting jointly or in concert, provided that:
  - (i) the terms of such agreement are publicly disclosed and a copy of such agreement is made available to the public (including the Corporation) not later than the date of the Lock-Up Bid or, if the Lock-Up Bid has been made prior to the date on which such agreement is entered into, not later than the first business day following the date of such agreement;
  - (ii) the agreement permits a Locked-Up Person to terminate its obligation to deposit or tender Voting Shares to or not to withdraw such Voting Shares from the Lock-Up Bid, and to terminate any obligation with respect to the voting of such Voting Shares, in order to tender or deposit the Voting Shares to another Take-over Bid or to support another transaction:
    - (A) where the price or value of the consideration per Voting Share offered under such other Take-over Bid or transaction:
      - (1) is greater than the price or value of the consideration per Voting Share at which the Locked-Up Person has agreed to deposit or tender Voting Shares to the Lock-Up Bid; or
      - (2) exceeds by as much as or more than a specified amount (the **“Specified Amount”**) the price or value of the consideration per Voting Share at which the Locked-Up Person has agreed to deposit or tender Voting Shares to the Lock-Up Bid, provided that such Specified Amount is not

greater than 7% of the price or value of the consideration per Voting Share at which the Locked-Up Person has agreed to deposit or tender Voting Shares to the Lock-Up Bid; and

- (B) if the number of Voting Shares offered to be purchased under the Lock-Up Bid is less than 100% of the Voting Shares held by Independent Shareholders, where the number of Voting Shares to be purchased under such other Take-over Bid or transaction at a price or value per Voting Share that is not less than the price or value per Voting Share offered under the Lock-Up Bid:
  - (1) is greater than the number of Voting Shares that the Offeror has offered to purchase under the Lock-Up Bid; or
  - (2) exceeds by as much as or more than a specified number (the “**Specified Number**”) the number of Voting Shares that the Offeror has offered to purchase under the Lock-Up Bid, provided that the Specified Number is not greater than 7% of the number of Voting Shares offered to be purchased under the Lock-Up Bid,

and, for greater clarity, the agreement may contain a right of first refusal or require a period of delay to give such Person an opportunity to at least match a higher price or value in another Take-over Bid or transaction or other similar limitation on a Locked-up Person’s right to withdraw Voting Shares from the agreement, so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares during the period of the other Take-over Bid or transaction; and

- (iii) no “**break-up**” fees, “**top-up**” fees, penalties, expenses or other amounts that exceed in aggregate the greater of:
  - (A) the cash equivalent of 2.5% of the price or value of the consideration payable under the Lock-Up Bid to a Locked-Up Person; and
  - (B) 50% of the amount by which the price or value of the consideration received by a Locked-Up Person under another Take-over Bid or transaction exceeds the price or value of the consideration that the Locked-Up Person would have received under the Lock-Up Bid,

shall be payable by such Locked-Up Person pursuant to the agreement if the Locked-Up Person fails to deposit or tender Voting Shares to the Lock-Up Bid, withdraws Voting Shares previously tendered thereto or supports another transaction;

- (II) “**Person**” shall include an individual, body corporate, firm, partnership, syndicate or other form of unincorporated association, trust, trustee, executor, administrator, legal personal representative, group, unincorporated organization, a government and its agencies or instrumentalities, or other entity whether or not having legal personality;
- (mm) “**Pro Rata Acquisition**” shall mean an acquisition by a Person of Voting Shares pursuant to:
  - (i) a Dividend Reinvestment Acquisition;
  - (ii) a stock dividend, stock split or other event in respect of securities of the Corporation of one or more particular classes or series pursuant to which such Person becomes the Beneficial Owner of Voting Shares on the same pro rata basis as all other holders of securities of the particular class, classes or series; or
  - (iii) the acquisition or the exercise by the Person of rights to purchase Voting Shares issued by the Corporation to all holders of securities of the Corporation (other than holders resident in any jurisdiction where such issuance is restricted or impractical as a result of applicable

law) of one or more particular classes or series pursuant to a rights offering provided that such rights are acquired directly from the Corporation and not from any other Person; or

- (iv) a distribution of Voting Shares or of Convertible Securities made pursuant to a prospectus or by way of a private placement or a conversion or exchange of any Convertible Security;

provided, however, that such Person does not thereby acquire a greater percentage of such Voting Shares or of Convertible Securities so offered than such Person's percentage of Voting Shares Beneficially Owned immediately prior to such acquisition;

- (nn) "**Record Time**" shall have the meaning set forth in the recitals hereto;
- (oo) "**Redemption Price**" shall have the meaning attributed thereto in Subsection 5.1(a);
- (pp) "**Right**" shall mean a right to purchase a Common Share, upon the terms and subject to the conditions set forth in this Agreement;
- (qq) "**Rights Certificate**" shall mean a certificate representing the Rights after the Separation Time, which shall be substantially in the form attached hereto as Attachment 1;
- (rr) "**Rights Plan**" shall have the meaning set forth in the recitals hereto;
- (ss) "**Rights Register**" shall have the meaning ascribed thereto in Subsection 2.6(a);
- (tt) "**Securities Act**" shall mean the *Securities Act* (Alberta);
- (uu) "**Separation Time**" shall mean, subject to Subsection 5.1(d), the close of business on the tenth Trading Day after the earlier of:
  - (i) the Stock Acquisition Date;
  - (ii) the date of the commencement of or first public announcement of the current intention of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid); and
  - (iii) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such;or such later time as may be determined by the Board of Directors, provided that, if any Take-over Bid referred to in Subsection 1.1(uu)(ii) above expires, is not made, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid shall be deemed, for the purposes of this definition, never to have been commenced, made or announced and further provided that if the Board of Directors determines, pursuant to Section 5.1, to waive the application of Section 3.1 to a Flip-in Event, then the Separation Time in respect of such Flip-in Event shall be deemed never to have occurred and further provided that if the foregoing results in the Separation Time being prior to the Record Time, the Separation Time shall be the Record Time;
- (vv) "**Stock Acquisition Date**" shall mean the first date of public announcement or disclosure by the Corporation or an Acquiring Person of facts indicating that a Person has become an Acquiring Person which for the purposes of this definition shall include, without limitation, a report filed pursuant to Part 5 of NI 62-104 announcing or disclosing such information;
- (ww) "**Subsidiary**" a Person is a Subsidiary of another Person if:
  - (i) it is controlled by:
    - (A) that other; or

- (B) that other and one or more Persons each of which is controlled by that other; or
- (C) two or more Persons each of which is controlled by that other; or
- (ii) it is a Subsidiary of a Person that is that other's Subsidiary;
- (xx) "**Take-over Bid**" shall mean an Offer to Acquire Voting Shares or Convertible Securities, if, assuming that the Voting Shares or Convertible Securities subject to the Offer to Acquire are acquired and are Beneficially Owned at the date of such Offer to Acquire by the Person making such Offer to Acquire, the Voting Shares Beneficially Owned by the Person making the Offer to Acquire would constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire;
- (yy) "**Termination Time**" shall mean the time at which the right to exercise Rights shall terminate pursuant to Section 5.1(g);
- (zz) "**Trading Day**", when used with respect to any securities, shall mean a day on which the principal Canadian stock exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian stock exchange, a Business Day;
- (aaa) "**U.S. – Canadian Exchange Rate**" on any date shall mean:
  - (i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and
  - (ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars which is calculated in the manner which shall be determined by the Board of Directors from time to time acting in good faith;
- (bbb) "**Voting Share Reduction**" shall mean an acquisition or redemption by the Corporation of Voting Shares which, by reducing the number of Voting Shares outstanding, increases the percentage of outstanding Voting Shares Beneficially Owned by any Person to 20% or more of the Voting Shares then outstanding; and
- (ccc) "**Voting Shares**" shall mean the Common Shares and any other shares in the capital of the Corporation entitled to vote generally in the election of all directors.

## 1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

## 1.3 Number and Gender

Wherever the context will require, terms (including defined terms) used herein importing the singular number only shall include the plural and vice versa and words importing any one gender shall include all others.

## 1.4 Headings

The division of this Agreement into Articles, Sections, Subsections, Paragraphs, Subparagraphs or other portions hereof and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

## **1.5 Statutory References**

Unless the context otherwise requires, any reference to a specific section, subsection, clause or rule of any act or regulation shall be deemed to refer to the same as it may be amended, reenacted or replaced or, if repealed and there shall be no replacement therefor, to the same as it is in effect on the date of this Agreement.

## **1.6 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares**

- (a) For purposes of this Agreement, in determining the percentage of outstanding Voting Shares with respect to which a Person is or is deemed to be the Beneficial Owner, all unissued Voting Shares of which such Person is deemed to be the Beneficial Owner shall be deemed to be outstanding.
- (b) For purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by any Person shall be and be deemed to be the product (expressed as a percentage) determined by the formula:

$$100 \times A/B$$

where:

- A = the number of votes for the election of directors of the Corporation generally attaching to the Voting Shares Beneficially Owned by such Person; and
- B = the number of votes for the election of directors of the Corporation generally attaching to all outstanding Voting Shares.

The percentage of outstanding Voting Shares represented by any particular group of Voting Shares acquired or held by any Person shall be determined in like manner *mutatis mutandis*.

## **1.7 Acting Jointly or in Concert**

For purposes of this Agreement a Person is acting jointly or in concert with every Person who is a party to an agreement, commitment, arrangement or understanding, whether formal or informal or written or unwritten, with the first Person to acquire or Offer to Acquire any Voting Shares or Convertible Securities (other than: (a) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a distribution of securities by the Corporation; (b) pledges of securities in the ordinary course of business; and (c) Permitted Lock-Up Agreements).

## **1.8 Generally Accepted Accounting Principles**

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the recommendations at the relevant time of the Chartered Professional Accountants of Canada, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided herein to be applicable on an unconsolidated basis) as at the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

## ARTICLE 2 THE RIGHTS

### 2.1 Legend on Share Certificates

Certificates representing Voting Shares which are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time, shall also evidence one Right for each Voting Share represented thereby until the earlier of the Separation Time or the Expiration Time and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

*Until the earlier of the Separation Time or the Expiration Time (as both terms are defined in the Shareholder Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in an Amended and Restated Shareholder Rights Plan Agreement dated as of March 21, 2017 (amending and restating the shareholder rights plan agreement dated as of April 3, 2014), as may be amended or supplemented from time to time (the "Shareholder Rights Agreement"), between DIRT Environmental Solutions Ltd. (the "Corporation") and Computershare Investor Services Inc., as Rights Agent, the terms of which are incorporated herein by reference and a copy of which is on file at the principal executive offices of the Corporation. Under certain circumstances set out in the Shareholder Rights Agreement, the Rights may be amended or redeemed, may expire or may become void (if, in certain cases they are "Beneficially Owned" by an "Acquiring Person" as such terms are defined in the Shareholder Rights Agreement, whether currently held by or on behalf of such Person or a subsequent holder) or may be evidenced by separate certificates and no longer evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Shareholder Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor.*

Certificates representing Common Shares that are issued and outstanding at the Record Time shall also evidence one Right for each Common Share represented thereby notwithstanding the absence of the foregoing legend, until the earlier of the Separation Time and the Expiration Time.

### 2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (a) Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price as at the Business Day immediately preceding the Separation Time (which Exercise Price and number of Common Shares are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be void.
- (b) Until the Separation Time:
  - (i) the Rights shall not be exercisable and no Right may be exercised; and
  - (ii) each Right will be evidenced by the certificate for the associated Voting Share registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Voting Share.
- (c) From and after the Separation Time and prior to the Expiration Time:
  - (i) the Rights shall be exercisable; and
  - (ii) the registration and transfer of Rights shall be separate from and independent of Voting Shares.

Promptly following the Separation Time, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to each holder of record of Voting Shares as of the Separation Time and, in respect of each Convertible Security converted into Voting Shares after the Separation Time and prior to the Expiration Time, promptly after such conversion, the Corporation will prepare or cause

to be prepared and the Rights Agent will mail to the holder so converting (other than in either case an Acquiring Person and any Transferee whose rights are or become null and void pursuant to Section 3.1(b) and, in respect of any Rights Beneficially Owned by such Acquiring Person or Transferee which are not held of record by such Acquiring Person or Transferee, the holder of record of such Rights (a “**Nominee**”)), at such holder’s address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

- (x) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time or at the time of conversion, as applicable, and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or judicial or administrative order made pursuant thereto or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and
- (y) a disclosure statement prepared by the Corporation describing the Rights,

provided that a Nominee shall be sent the materials provided for in (x) and (y) only in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person. In order for the Corporation to determine whether any Person is holding Common Shares which are Beneficially Owned by another Person, the Corporation may require such first Person to furnish such information and documentation as the Corporation deems necessary.

- (d) Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent at its office in Calgary, Canada or any other office of the Rights Agent in cities designated from time to time for that purpose by the Corporation with the approval of the Rights Agent:
  - (i) the Rights Certificate evidencing such Rights;
  - (ii) an election to exercise such Rights (an “**Election to Exercise**”) substantially in the form attached to the Rights Certificate appropriately completed and duly executed by the holder or such holder’s executors or administrators or other personal representatives or such holder’s or their legal attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and
  - (iii) payment by certified cheque, banker’s draft, money order or wire transfer payable to the order of the Rights Agent, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.
- (e) Upon receipt of a Rights Certificate, together with a completed Election to Exercise executed in accordance with Subsection 2.2(d)(ii), which does not indicate that such Right is null and void as provided by Subsection 3.1(b), and payment as set forth in Subsection 2.2(d)(iii), the Rights Agent (unless otherwise instructed by the Corporation in the event that the Corporation is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon as soon as practicable:
  - (i) requisition from the transfer agent certificates representing the number of such Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);
  - (ii) when appropriate, requisition from the Corporation the amount of cash, if any, to be paid in lieu of issuing fractional Common Shares;

- (iii) after receipt of the certificates referred to in Subsection 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder;
  - (iv) when appropriate, after receipt, deliver the cash referred to in Subsection 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate; and
  - (v) remit to the Corporation all payments received on the exercise of Rights.
- (f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subsection 5.5(a)) will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (g) The Corporation covenants and agrees that it will:
- (i) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;
  - (ii) take all such action as may be necessary and within its power to comply with the requirements of the ABCA, the Securities Act and the other applicable securities laws or comparable legislation of each of the provinces of Canada, and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights, the Rights Certificates and the issuance of any Common Shares upon exercise of Rights;
  - (iii) use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed on the stock exchanges and markets on which such Common Shares were traded immediately prior to the Stock Acquisition Date;
  - (iv) pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Corporation to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for Common Shares to be issued upon exercise of any Rights, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares issued upon the exercise of Rights in a name other than that of the holder of the Rights being transferred or exercised; and
  - (v) after the Separation Time, except as permitted by Sections 5.1 and 5.4, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

### **2.3 Adjustments to Exercise Price; Number of Rights**

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3 and in Article 3.

- (a) In the event the Corporation shall at any time after the Record Time and prior to the Expiration Time:
  - (i) declare or pay a dividend on Common Shares payable in Common Shares or Convertible Securities in respect thereof other than pursuant to any Dividend Reinvestment Plan;

- (ii) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;
- (iii) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or
- (iv) issue any Common Shares (or Convertible Securities in respect thereof) in respect of, in lieu of or in exchange for existing Common Shares except as otherwise provided in this Section 2.3,

then the Exercise Price and the number of Rights outstanding (or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights) shall be adjusted as of the payment or effective date in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

- (x) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other capital stock) (the “**Expansion Factor**”) that a holder of one Common Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof; and
- (y) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor, and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision, change, consolidation or issuance, so that each such Common Share (or other capital stock) will have exactly one Right associated with it.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result of such dividend, subdivision, change, consolidation or issuance.

Adjustments made pursuant to this Section 2.3(a) shall be made successively, whenever an event referred to in this Section 2.3(a) occurs.

If, after the Record Time and prior to the Expiration Time, the Corporation shall issue any shares of capital stock other than Common Shares in a transaction of a type described in Subsections 2.3(a)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent agree to amend this Agreement in order to effect such treatment.

If an event occurs which would require an adjustment under both this Section 2.3 and Section 3.1, the adjustment provided for in this Section 2.3 shall be in addition to, and shall be made prior to, any adjustment required under Section 3.1.

In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in this Subsection 2.3(a), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

- (b) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance of rights, options or warrants (other than Rights) to all holders of Common Shares entitling them (for a period expiring within 45 calendar days after such record

date) to subscribe for or purchase Common Shares (or Convertible Securities in respect of Common Shares) at a price per Common Share (or, in the case of a Convertible Security, having a conversion, exchange or exercise price per share, including the price required to be paid to purchase such Convertible Security) less than the Market Price per Common Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

- (i) the numerator of which shall be the number of Common Shares outstanding on such record date plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the Convertible Securities, including the price required to be paid to purchase such Convertible Securities) would purchase at such Market Price per Common Share; and
- (ii) the denominator of which shall be the number of Common Shares outstanding on such record date plus the number of additional Common Shares to be offered for subscription or purchase (or into which the Convertible Securities so to be offered are initially convertible, exchangeable or exercisable).

In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, or if issued, are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed, or to the Exercise Price which would be in effect based upon the number of Common Shares (or securities convertible into, or exchangeable or exercisable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to any Dividend Reinvestment Plan or any employee benefit, stock option or similar plans shall be deemed not to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in the case of any Dividend Reinvestment Plan or share purchase plan, the right to purchase Common Shares is at a price per share of not less than 90% of the current market price per share (determined as provided in such plans) of the Common Shares.

- (c) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Common Shares (including any such distribution made in connection with a merger or amalgamation) of evidences of indebtedness, cash (other than an annual cash dividend or a dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), assets or rights, options or warrants (excluding rights, options or warrants expiring within 45 calendar days after such record date) to purchase Common Shares or Convertible Securities in respect of Common Shares, the Exercise Price in effect after such record date shall be equal to the Exercise Price in effect immediately prior to such record date less the fair market value (as determined in good faith by the Board of Directors) of the portion of the evidences of indebtedness, cash, assets, rights, options or warrants so to be distributed applicable to the securities purchasable upon exercise of one Right. Such adjustment shall be made successively whenever such a record date is fixed.
- (d) Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one per cent in the Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest ten-thousandth of a share. Any adjustment required by Section 2.3 shall be made as of:

- (i) the payment or effective date for the applicable dividend, subdivision, change, combination or issuance, in the case of an adjustment made pursuant to Subsection 2.3(a); or
  - (ii) the record date for the applicable dividend or distribution, the case of an adjustment made pursuant to Subsection 2.3(b) or (c), subject to readjustment to reverse the same if such distribution shall not be made.
- (e) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Common Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Subsection 2.3(a)(i) or (iv) or Subsections 2.3(b) or (c), if the Board of Directors acting in good faith determines that the adjustments contemplated by Subsections 2.3(a), (b) and (c) in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsections 2.3(a), (b) and (c), such adjustments, rather than the adjustments contemplated by Subsections 2.3(a), (b) and (c), shall be made. Subject to Subsections 5.4(b) and (c), the Corporation and the Rights Agent may, with the prior approval of the holders of the Common Shares, amend this Agreement as appropriate to provide for such adjustments.
- (f) Each Right originally issued by the Corporation subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of a Right immediately prior to such issue, all subject to further adjustment as provided herein.
- (g) Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.
- (h) In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.
- (i) Notwithstanding anything contained in this Section 2.3 to the contrary, the Corporation shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:
  - (i) consolidation or subdivision of Common Shares;
  - (ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares;
  - (iii) stock dividends; or
  - (iv) issuance of rights, options or warrants referred to in this Section 2.3,

hereafter made by the Corporation to holders of its Common Shares, subject to applicable taxation laws, shall not be taxable to such shareholders or shall subject such shareholders to a lesser amount of tax.

- (j) Whenever an adjustment to the Exercise Price is made pursuant to this Section 2.3, the Corporation shall:
  - (i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment; and
  - (ii) promptly file with the Rights Agent and with each transfer agent for the Common Shares a copy of such certificate and mail a brief summary thereof to each holder of Rights who requests a copy;

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of any such adjustment or change.

#### **2.4 Date on Which Exercise Is Effective**

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the absolute holder of record of the Common Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon which the Rights Certificate evidencing such Rights was duly surrendered in accordance with Subsection 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of the Corporation are open.

#### **2.5 Execution, Authentication, Delivery and Dating of Rights Certificates**

- (a) The Rights Certificates shall be executed on behalf of the Corporation by its Chairman of the Board, Chief Executive Officer, President, Chief Financial Officer or any Vice-President and by its Corporate Secretary or any Assistant Secretary under the corporate seal of the Corporation reproduced thereon. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices either before or after the countersignature and delivery of such Rights Certificates.
- (b) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature, and the Rights Agent shall countersign (manually or by facsimile signature in a manner satisfactory to the Corporation) and send such Rights Certificates to the holders of the Rights pursuant to Subsection 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (c) Each Rights Certificate shall be dated the date of countersignature thereof.

#### **2.6 Registration, Transfer and Exchange**

- (a) After the Separation Time, the Corporation will cause to be kept a register (the “**Rights Register**”) in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent, at its office in the City of Calgary, is hereby appointed registrar for the Rights (the “**Rights Registrar**”) for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

- (b) After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(d), the Corporation will execute, and the Rights Agent will countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.
- (c) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (d) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

## 2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (b) If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time:
  - (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
  - (ii) such security or indemnity as may be reasonably required by them to save each of them and any of their agents harmless,

then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a *bona fide* purchaser, the Corporation shall execute and upon the Corporation's request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

- (c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.
- (d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence the contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

## 2.8 Persons Deemed Owners of Rights

The Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "**holder**" of any Right shall mean the registered holder of such Right (or, prior to the Separation Time, of the associated Common Share).

## **2.9 Delivery and Cancellation of Certificates**

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

## **2.10 Agreement of Rights Holders**

Every holder of Rights, by accepting the same, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Voting Share certificate representing such Right;
- (c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;
- (d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Voting Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Voting Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Voting Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;
- (e) that such holder of Rights has waived his right to receive any fractional Rights or any fractional shares or other securities upon exercise of a Right (except as provided herein);
- (f) that, subject to the provisions of Section 5.4, without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time pursuant to and as provided herein; and
- (g) that notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of preliminary or permanent injunctions or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation.

## **2.11 Rights Certificate Holder Not Deemed a Shareholder**

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Common Shares or any other shares or securities of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or upon any matter submitted to holders of Common Shares or any other shares of the Corporation at any meeting

thereof, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares of the Corporation except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

### ARTICLE 3 ADJUSTMENTS TO THE RIGHTS

#### 3.1 Flip-in Event

- (a) Subject to Subsection 3.1(b) and Section 5.1, in the event that prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective at the close of business on the tenth Trading Day after the Stock Acquisition Date, the right to purchase from the Corporation, upon exercise thereof in accordance with the terms hereof, that number of Common Shares having an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that after such consummation or occurrence, an event of a type analogous to any of the events described in Section 2.3 shall have occurred).
- (b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time or the Stock Acquisition Date by:
- (i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such other Person); or
  - (ii) a transferee or other successor in title, directly or indirectly, (a “**Transferee**”) of Rights held by an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such other Person), where such Transferee becomes a transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board of Directors acting in good faith has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such other Person), that has the purpose or effect of avoiding Subsection 3.1(b)(i),
- shall become null and void without any further action, and any holder of such Rights (including any Transferee) shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The holder of any Rights represented by a Rights Certificate which is submitted to the Rights Agent upon exercise or for registration or transfer or exchange which does not contain the necessary certifications set forth in the Rights Certificate establishing that such Rights are not null and void under this Subsection 3.1(b) shall be deemed to be an Acquiring Person for the purposes of this Subsection 3.1 and such Rights shall become null and void.
- (c) From and after the Separation Time, the Corporation shall do all such acts and things as shall be necessary and within its power to ensure compliance with the provisions of this Section 3.1, including without limitation, all such acts and things as may be required to satisfy the requirements of the ABCA, the Securities Act and the other applicable securities laws or comparable legislation of each of the provinces of Canada and elsewhere in respect of the issue of Common Shares upon the exercise of Rights in accordance with this Agreement.
- (d) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Subsection 3.1(b)(i) or (ii) or transferred to any Nominee of any such Person, and any Rights

Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain or will be deemed to contain the following legend:

The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement) or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of such Person. This Rights Certificate and the Rights represented hereby are void or shall become void in the circumstances specified in Subsection 3.1(b) of the Shareholder Rights Agreement.

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall impose such legend only if instructed to do so by the Corporation in writing or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend and provided further that the fact that such legend does not appear on a certificate is not determinative of whether any Rights represented thereby are void under this Section.

#### **ARTICLE 4 THE RIGHTS AGENT**

##### **4.1 General**

- (a) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-Rights Agents (“**Co-Rights Agents**”) as it may deem necessary or desirable. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Corporation may determine with the approval of the Rights Agent and the Co-Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements reasonably incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder (including the fees and disbursements of any expert or advisor retained by the Rights Agent pursuant to Section 4.3(a)). The Corporation also agrees to indemnify the Rights Agent, and its officers, directors, employees and agents for, and to hold it and them harmless against, any loss, liability or expense, incurred without negligence, bad faith or wilful misconduct on the part of the Rights Agent or such persons, for anything done or omitted by the Rights Agent or such persons in connection with the acceptance and administration of this Agreement, including legal costs and expenses, which right to indemnification will survive the termination of this Agreement and the resignation or removal of the Rights Agent.
- (b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (c) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation.

##### **4.2 Merger, Amalgamation or Consolidation or Change of Name of Rights Agent**

- (a) Any corporation into which the Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement

or consolidation to which the Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

#### **4.3 Duties of Rights Agent**

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, all of which the Corporation and the holders of certificates for Common Shares and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) the Rights Agent may retain and consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion and the Rights Agent may also consult with such other experts as the Rights Agent may reasonably consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement (at the expense of the Corporation) and the Rights Agent shall be entitled to act and rely in good faith on the advice of any such expert;
- (b) whenever in the performance of its duties under this Agreement, the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be the Chairman of the Board, Chief Executive Officer, President, Chief Financial Officer, any Vice-President, Treasurer, Corporate Secretary or any Assistant Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate;
- (c) the Rights Agent will be liable hereunder only for its own negligence, bad faith or wilful misconduct;
- (d) the Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature thereof), or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only;
- (e) the Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate for a Common Share or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including

the Rights becoming void pursuant to Subsection 3.1(b) hereof) or any adjustment required under the provisions of Section 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment or any written notice from the Corporation or any holder that a Person has become an Acquiring Person); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;

- (f) the Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement;
- (g) the Rights Agent is hereby authorized and directed to accept instructions in writing with respect to the performance of its duties hereunder from any individual believed by the Rights Agent to be the Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer, any Vice-President, Treasurer, Corporate Secretary or any Assistant Secretary of the Corporation, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such individual. It is understood that instructions to the Rights Agent shall, except where circumstances make it impractical or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as practicable after the giving of such instructions;
- (h) the Rights Agent and any shareholder or stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity; and
- (i) the Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

#### **4.4 Change of Rights Agent**

The Rights Agent may resign and be discharged from its duties under this Agreement upon 60 days' notice (or such lesser notice as is acceptable to the Corporation) in writing mailed to the Corporation and to each transfer agent of Common Shares by registered or certified mail and to the holders of Rights in accordance with Section 5.9. The Corporation may remove the Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Shares by registered or certified mail and to the holders of Rights in accordance with Section 5.9. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent, then by prior written notice to the Corporation the resigning Rights Agent or the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate, if any, for inspection by the Corporation), may apply, at the Corporation's expense, to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of Alberta. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall, upon payment in full of any outstanding amounts owing by the

Corporation to the Rights Agent under this Agreement, deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares, and mail a notice thereof in writing to the holders of the Rights in accordance with Section 5.9. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of any successor Rights Agent, as the case may be.

## **ARTICLE 5 MISCELLANEOUS**

### **5.1 Redemption and Waiver**

- (a) The Board of Directors acting in good faith may, with the prior approval of the holders of Voting Shares or of the holders of Rights given in accordance with Section 5.1(i) or (j), as the case may be, at any time prior to the occurrence of a Flip-in Event as to which the application of Section 3.1 has not been waived pursuant to the provisions of this Section 5.1, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the “**Redemption Price**”).
- (b) The Board of Directors acting in good faith may, with the prior approval of the holders of Voting Shares given in accordance with Section 5.1(i), determine, at any time prior to the occurrence of a Flip-in Event as to which the application of Section 3.1 has not been waived pursuant to this Section 5.1, if such Flip-in Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a take-over bid circular to all holders of record of Voting Shares and otherwise than in the circumstances set forth in Subsection 5.1(d), to waive the application of Section 3.1 to such Flip-in Event. In the event that the Board of Directors proposes such a waiver, the Board of Directors shall extend the Separation Time to a date subsequent to and not more than ten Business Days following the meeting of shareholders called to approve such waiver.
- (c) The Board of Directors acting in good faith may, until the occurrence of a Flip-in Event upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to such particular Flip-in Event provided that the Flip-in Event would occur by reason of a Take-over Bid made by way of take-over bid circular sent to all holders of Voting Shares (which for greater certainty shall not include the circumstances described in Subsection 5.1(d)); provided that if the Board of Directors waives the application of Section 3.1 to a particular Flip-in Event pursuant to this Subsection 5.1(c), the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Flip-in Event subsequently occurring by reason of any Take-over Bid which is made by means of a take-over bid circular to all holders of Voting Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been, granted under this Subsection 5.1(c).
- (d) Notwithstanding the provisions of Subsections 5.1(b) and (c) hereof, the Board of Directors may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined within ten Trading Days following a Stock Acquisition Date that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement, and in the event such waiver is granted by the Board of Directors, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subsection 5.1(d) must be on the condition that such Person, within 14 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the “**Disposition Date**”), has reduced its Beneficial Ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Section 3.1 shall apply thereto.

- (e) The Board of Directors shall, without further formality, be deemed to have elected to redeem the Rights at the Redemption Price on the date that a Person which has made a Permitted Bid, a Competing Permitted Bid or a Take-Over Bid in respect of which the Board of Directors has waived, or is deemed to have waived, pursuant to Subsection 5.1(c) the application of Section 3.1, takes up and pays for Voting Shares in connection with such Permitted Bid, Competing Permitted Bid or Take-over bid, as the case may be.
- (f) Where a Take-over Bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price. Upon the Rights being redeemed pursuant to this Subsection 5.1(f), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred and the Corporation shall be deemed to have issued replacement Rights to the holders of its then outstanding Common Shares.
- (g) If the Board of Directors elects or is deemed to have elected to redeem the Rights, and, in circumstances in which Subsection 5.1(a) is applicable, such redemption is approved by the holders of Voting Shares or the holders of Rights in accordance with Subsection 5.1(i) or (j), as the case may be, the right to exercise the Rights, will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.
- (h) Within ten Business Days after the Board of Directors elects or is deemed to elect to redeem the Rights or if Subsection 5.1(a) is applicable within ten Business Days after the holders of Common Shares or the holders of Rights have approved a redemption of Rights in accordance with Section 5.1(i) or (j), as the case may be, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Voting Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. The Corporation may not redeem, acquire or purchase for value any Rights at any time in any manner other than specifically set forth in this Section 5.1 or in connection with the purchase of Common Shares prior to the Separation Time.
- (i) If a redemption of Rights pursuant to Subsection 5.1(a) or a waiver of a Flip-in Event pursuant to Section 5.1(b) is proposed at any time prior to the Separation Time, such redemption or waiver shall be submitted for approval to the holders of Voting Shares. Such approval shall be deemed to have been given if the redemption or waiver is approved by the affirmative vote of a majority of the votes cast by Independent Shareholders represented in person or by proxy at a meeting of such holders duly held in accordance with applicable laws and the Corporation's by-laws.
- (j) If a redemption of Rights pursuant to Subsection 5.1(a) is proposed at any time after the Separation Time, such redemption shall be submitted for approval to the holders of Rights. Such approval shall be deemed to have been given if the redemption is approved by holders of Rights by a majority of the votes cast by the holders of Rights represented in person or by proxy at and entitled to vote at a meeting of such holders. For the purposes hereof, each outstanding Right (other than Rights which are Beneficially Owned by any Person referred to in Subsections (i) to (v) inclusive of the definition of Independent Shareholders) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's by-laws and the ABCA, with respect to meetings of shareholders of the Corporation.
- (k) The Corporation shall not be obligated to make a payment of the Redemption Price to any holder of Rights unless such holder is entitled to receive at least \$10 in respect of all of the Rights held by such holder.

## 5.2 Expiration

No Person shall have any rights whatsoever pursuant to this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Section 4.1 of this Agreement.

## 5.3 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

## 5.4 Supplements and Amendments

- (a) The Corporation may, without the prior approval of the holders of Voting Shares or Rights, make amendments to this Agreement:
  - (i) to correct any clerical or typographical error;
  - (ii) which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations or rules thereunder; or
  - (iii) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement, provided that such action pursuant to this paragraph (iii) shall not adversely affect the interests of the holders of Voting Shares Rights in any material respect;

Notwithstanding the foregoing, the Corporation may, prior to the Meeting, supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of the Rights generally) without the approval of any holders of Rights or Voting Shares in order to make any changes which the Board of Directors acting in good faith may deem necessary or desirable.

- (b) Subject to Subsection 5.4(a), the Corporation may, with the prior approval of the holders of Voting Shares, at any time before the Separation Time, supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Any approval of the holders of Voting Shares shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to be voted at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the articles and by-laws of the Corporation.
- (c) Subject to Subsection 5.4(a), the Corporation may, with the prior approval of the holders of Rights, at any time on or after the Separation Time, supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's by-laws and the ABCA, with respect to meetings of shareholders of the Corporation.
- (d) Any amendments made by the Corporation to this Agreement pursuant to Subsection 5.4(a)(ii) shall:

- (i) if made before the Separation Time, be submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by the majority referred to in Subsection 5.4(b), confirm or reject such amendment;
- (ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by the majority referred to in Subsection 5.4(c), confirm or reject such amendment.

Any such amendment shall be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment shall cease to be effective from and after the termination of the meeting (or any adjournment of such meeting) at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights as the case may be.

- (e) Notwithstanding anything in this Section 5.4 to the contrary, no such supplement or amendment shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such supplement or amendment.

#### **5.5 Fractional Rights and Fractional Shares**

- (a) The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. After the Separation Time, in lieu of issuing fractional Rights, the Corporation shall pay to the holders of record of the Rights Certificates (provided the Rights represented by such Rights Certificates are not void pursuant to the provisions of Subsection 3.1(b), at the time such fractional Rights would otherwise be issuable), an amount in cash equal to the fraction of the Market Price of one whole Right that the fraction of a Right that would otherwise be issuable is of one whole Right.
- (b) The Corporation shall not be required to issue fractions of Common Shares upon exercise of Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation shall pay to the registered holders of Rights Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the fraction of the Market Price of one Common Share that the fraction of a Common Share that would otherwise be issuable upon the exercise of such Right is of one whole Common Share at the date of such exercise.

#### **5.6 Rights of Action**

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights. Any holder of Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce such holder's right to exercise such holder's Rights, or Rights to which such holder is entitled, in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

#### **5.7 Regulatory Approvals**

Any obligation of the Corporation or action or event contemplated by this Agreement shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority, including without limiting the

generality of the foregoing, any necessary approvals of The Toronto Stock Exchange, or any other applicable stock exchange or market.

## **5.8 Notice of Proposed Actions**

In case the Corporation shall propose after the Separation Time and prior to the Expiration Time to effect or permit (in cases where the Corporation's permission is required) any Flip-in Event or to effect the liquidation, dissolution or winding up of the Corporation or the sale of all or substantially all of the Corporation's assets, then, in each such case, the Corporation shall give to each holder of a Right, in accordance with Section 5.9 hereof, a notice of such proposed action, which shall specify the date on which such Flip-in Event, liquidation, dissolution, or winding up is to take place, and such notice shall be so given at least 20 Business Days prior to the date of taking of such proposed action by the Corporation.

## **5.9 Notices**

- (a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Rights Agent), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

DIRTT Environmental Solutions Ltd.  
7303, 30 Street S.E.  
Calgary, Alberta T2C 1N6

Attention: President  
Fax No.: (403) 723-6644  
Email: [sjenkins@dirtt.net](mailto:sjenkins@dirtt.net)

- (b) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Corporation), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Computershare Investor Services Inc.  
530 - 8 Avenue S.W.  
Calgary, Alberta T2P 3S8

Attention: General Manager  
Client Services  
Fax No.: (403) 233-2857  
Email: [Jacqueline.Fisher@computershare.com](mailto:Jacqueline.Fisher@computershare.com)

- (c) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the Corporation for its Common Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.
- (d) Any notice given or made in accordance with this Section 5.9 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on

the first Business Day thereafter). Each of the Corporation and the Rights Agent may from time to time change its address for notice by notice to the other given in the manner aforesaid.

#### **5.10 Rights of Board and Corporation**

Without limiting the generality of the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of Voting Shares reject or accept any Take-over Bid or take any other action (including, without limitation, the commencement, prosecution, defence or settlement of any litigation and the submission of additional or alternative Take-over Bids or other proposals to the holders of Voting Shares) with respect to any Take-over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

#### **5.11 Costs of Enforcement**

The Corporation agrees that if the Corporation fails to fulfil any of its obligations pursuant to this Agreement, then the Corporation will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder, on a solicitor and his own client basis, to enforce his rights pursuant to any Rights or this Agreement.

#### **5.12 Successors**

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

#### **5.13 Benefits of this Agreement**

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; further, this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

#### **5.14 Governing Law**

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Alberta and for all purposes shall be governed by and construed in accordance with the laws of such Province applicable to contracts to be made and performed entirely within such Province.

#### **5.15 Language**

Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent ou qui en coulent soient rédigés en langue anglaise. The parties hereto have required that this Agreement and all documents and notices related thereto or resulting therefrom be drawn up in English.

#### **5.16 Severability**

If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective only as to such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining terms and provisions hereof in such jurisdiction or the application of such term or provision in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

#### **5.17 Effective Date**

This Agreement is effective and in full force and effect in accordance with its terms and conditions from and after the Effective Date.

#### **5.18 Reconfirmation**

This Agreement must be reconfirmed by a resolution passed by a majority of the votes cast by Independent Shareholders who vote in respect of such reconfirmation at every third annual meeting of the Corporation. If this Agreement is not so reconfirmed or is not presented for reconfirmation at such annual meeting, then this Agreement and all outstanding Rights shall terminate and be void and of no further force and effect on and from the date of termination of the applicable annual meeting; provided that termination shall not occur if a Flip-in Event has occurred (other than a Flip-in Event which has been waived) prior to the date upon which this Agreement would otherwise terminate pursuant to this Section 5.18.

#### **5.19 Determinations and Actions by the Board of Directors**

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made or approved by the Board of Directors in connection herewith, in good faith, shall not subject the Board of Directors or any director of the Corporation to any liability to the holders of the Rights.

#### **5.20 Declaration as to Non-Canadian Holders**

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Corporation with the securities laws or comparable legislation of a jurisdiction outside Canada or the United States, the Board of Directors acting in good faith shall take such actions as it may deem appropriate to ensure such compliance. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to persons who are citizens, residents or nationals of any jurisdiction other than Canada or the United States, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

#### **5.21 Time of the Essence**

Time shall be of the essence in this Agreement.

#### **5.22 Execution in Counterparts**

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**DIRTT ENVIRONMENTAL SOLUTIONS LTD.**

By: (signed) "Scott Jenkins"  
Name: Scott Jenkins  
Title: President

**COMPUTERSHARE INVESTOR SERVICES  
INC.**

By: (signed) "Jacqueline Fisher"  
Name: Jacqueline Fisher  
Title: Relationship Manager

By: (signed) "Phillip Munday"  
Name: Phillip Munday  
Title: Manager, Client Services

ATTACHMENT 1

DIRTT ENVIRONMENTAL SOLUTIONS LTD.

SHAREHOLDER RIGHTS PLAN AGREEMENT

[Form of Rights Certificate]

Certificate No. \_\_\_\_

\_\_\_\_ Rights

**THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE CORPORATION, AND AMENDMENT OR TERMINATION ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBSECTION 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, OR TRANSFEREES OF AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, MAY BECOME VOID.**

**Rights Certificate**

This certifies that \_\_\_\_\_, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Amended and Restated Shareholder Rights Plan Agreement, dated as of March 21, 2017 (amending and restating the Shareholder Rights Plan Agreement dated as of April 3, 2014), as the same may be amended or supplemented from time to time (the "Shareholder Rights Agreement"), between DIRTT Environmental Solutions Ltd., a corporation amalgamated under the laws of the Province of Alberta (the "Corporation") and Computershare Investor Services Inc., a trust company incorporated under the laws of Canada (the "Rights Agent") (which term shall include any successor Rights Agent under the Shareholder Rights Agreement), to purchase from the Corporation at any time after the Separation Time (as such term is defined in the Shareholder Rights Agreement) and prior to the Expiration Time (as such term is defined in the Shareholder Rights Agreement), one fully paid common share of the Corporation (a "Common Share") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise (in the form provided hereinafter) duly executed and submitted to the Rights Agent, together with payment of the Exercise Price by certified cheque, bank draft or money order payable to the Corporation, at the Rights Agent's principal office in any of the cities of Calgary and Toronto. Until adjustment thereof in certain events as provided in the Shareholder Rights Agreement, the Exercise Price shall be:

- (a) until the Separation Time, an amount equal to three times the Market Price (as such term is defined in the Shareholder Rights Agreement), from time to time, per Common Share; and
- (b) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Common Share.

In certain circumstances described in the Shareholder Rights Agreement, each Right evidenced hereby may entitle the registered holder thereof to purchase or receive assets, debt securities or shares in the capital of the Corporation other than Common Shares, or more or less than one Common Share, all as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms and provisions of the Shareholder Rights Agreement, which terms and provisions are incorporated herein by reference and made a part hereof and to which Shareholder Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights Certificates. Copies of the Shareholder Rights Agreement are on file at the registered office of the Corporation and are available upon request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Shareholder Rights Agreement, the Rights evidenced by this Rights Certificate may be, and under certain circumstances are required to be, redeemed by the Corporation at a redemption price of \$0.00001 per Right.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Shareholder Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Shareholder Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the Rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Shareholder Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officer of the Corporation.

Date: \_\_\_\_\_

**DIRTT ENVIRONMENTAL SOLUTIONS LTD.**

By: \_\_\_\_\_

Countersigned:

**COMPUTERSHARE INVESTOR SERVICES INC.**

By: \_\_\_\_\_  
Authorized Signature

By: \_\_\_\_\_  
Authorized Signature

**FORM OF ASSIGNMENT**

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers unto

\_\_\_\_\_

(Please print name and address of transferee.)

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_, as attorney, to transfer the within Rights on the books of the Corporation, with full power of substitution.

Dated: \_\_\_\_\_

Signature

\_\_\_\_\_  
(Please print name of Signatory)

Signature Guaranteed: (Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a Canadian chartered bank or trust company, a member firm of a recognized stock exchange in Canada, a registered national securities exchange in the United States, a member of the Investment Dealers Association of Canada or National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in Canada or the United States or a member of the Securities Transfer Association Medallion (Stamp) Program.

.....

**CERTIFICATE**

(To be completed if true.)

The undersigned party transferring Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with any of the foregoing. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Please print name of Signatory)

.....

(To be attached to each Rights Certificate.)

**FORM OF ELECTION TO EXERCISE**

(To be executed by the registered holder if such holder desires to exercise the Rights Certificate.)

TO: \_\_\_\_\_

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ whole Rights represented by the attached Rights Certificate to purchase the Common Shares or other securities, if applicable, issuable upon the exercise of such Rights and requests that certificates for such securities be issued in the name of:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City and Province)

\_\_\_\_\_  
Social Insurance Number or other taxpayer identification number.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Please print name of Signatory)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City and Province)

\_\_\_\_\_  
Social Insurance Number or other taxpayer identification number.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Please print name of Signatory)

Signature Guaranteed: (Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a Canadian chartered bank or trust company, a member firm of a recognized stock exchange in Canada, a registered national securities exchange in the United States, a member of the Investment Dealers Association of Canada or National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in Canada or the United States or a member of the Securities Transfer Association Medallion (Stamp) Program.

.....

**CERTIFICATE**

(To be completed if true.)

The undersigned party exercising Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with any of the foregoing. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Please print name of Signatory)

.....  
(To be attached to each Rights Certificate.)

## NOTICE

In the event the certification set forth above in the Forms of Assignment and Election to Exercise is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Shareholder Rights Agreement). No Rights Certificates shall be issued in exchange for a Rights Certificate owned or deemed to have been owned by an Acquiring Person or an Affiliate or Associate thereof, or by a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof.