ANNUAL INFORMATION FORM

OF

AVCORP INDUSTRIES INC.

10025 River Way
Delta, British Columbia
V4G 1M7

for the
FISCAL PERIOD ENDED DECEMBER 31, 2007

Unless otherwise indicated, all information in this Annual Information Form is presented as at and for the year ended December 31, 2007.

March 31, 2008.

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DEFINITIONS AND INTERPRETATION

Currency

All currency is expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Statements

Some of the statements contained or incorporated by reference in this Annual Information Form are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or projected revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) the extent to which the Company is able to achieve savings from its restructuring initiatives; (b) uncertainty in estimating the amount and timing of restructuring charges and related costs; (c) changes in worldwide economic and political conditions that impact interest and foreign exchange rates; (d) the occurrence of work stoppages and strikes at key facilities of the Company or the Company's customers or suppliers; (e) government funding and program approvals affecting products being developed or sold under government programs; (f) cost and delivery performance under various program and development contracts; (g) the adequacy of cost estimates for various customer care programs including servicing warranties; (h) the ability to control costs and successful implementation of various cost reduction programs; (i) the timing of certifications of new aircraft products; (j) the occurrence of downturns in customer markets to which the Company products are sold or supplied or where the Company offers financing; (k) changes in aircraft delivery schedules or cancellation of orders; (l) the Company's ability to offset, through cost reductions, raw material price increases and pricing pressure brought by original equipment manufacturer customers; (m) the availability and cost of insurance; (n) the Company's ability to maintain portfolio credit quality; (o) the Company's access to debt financing at competitive rates; and (p) uncertainty in estimating contingent liabilities and establishing reserves tailored to address such contingencies.

The forward-looking statements contained or incorporated by reference in this Annual Information Form are stated as of the date hereof and are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The Company's future results may differ materially from those expressed in the forward-looking statements contained or incorporated by reference in this Annual Information Form due to, among other factors, the matters set out hereunder under "Risk Factors" and the factors detailed in the Company's other filings with Canadian securities regulators, including the annual Management Discussion and Analysis ("MD&A") and annual and interim financial statements and the notes thereto, all of which are available for review at www.sedar.com. The Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Information Form or to reflect the occurrence of unanticipated events, except as required by law.

This Annual Information Form may also include EBITDA (earnings before interest, taxes, depreciation and amortization) figures. EBITDA is derived from the consolidated statement of income, and is computed as net income exclusive of interest and financing charges, income tax expense and depreciation and amortization expenses. These definitions are not recognized measures under Canadian generally accepted accounting principles ("GAAP"), do not have standardized meanings prescribed by GAAP, and should not be construed to be alternatives to net income determined in accordance with GAAP or as an indicator of performance or liquidity or cash flows. The Company's method of calculating these measures may differ from methods used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities. The Company uses this earnings measure because it believes it provides useful information to both management and investors with respect to the operating and financial performance of the Company. Unless otherwise stated, financial information is presented in accordance with GAAP.

CORPORATE STRUCTURE

Name, Address and Incorporation

Avcorp Industries Inc. (the "Company") was formed by the amalgamation under the *Canada Business Corporations Act* (the "CBCA") on February 28, 1986 of 94109 Canada Ltd. (a company incorporated on September 21, 1979) and its wholly owned-subsidiary Plastal Inc. (a company incorporated on September 29, 1952, all the shares of which 94109 Canada Ltd. had previously acquired on February 10, 1986).

On May 29, 1986, the Company changed its name to Avcorp Industries Inc. On January 1, 1991 the Company amalgamated under the CBCA with its wholly-owned subsidiary, Canadian Aircraft Products Ltd. On April 5, 1995, the Company consolidated its issued and outstanding common shares on a six for one basis. On May 18, 2005, the Company consolidated its issued and outstanding common shares on a three for one basis.

The Company's head and registered offices are located at 10025 River Way, Delta, British Columbia, V4G 1M7.

The Company has one subsidiary company, Comtek Advanced Structures Ltd., an Ontario corporation.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

During the preceding three financial years, the development of the Company's business has been highlighted by the following events:

2005:

- On April 5, 2005, the Company closed a private placement of 9,635,000 units at $0.25 per unit; 3,100,000 of which units were subscribed for by insiders of the Company. Units issued to insiders consisted of one share and one warrant, each two warrants entitled insiders the right to purchase one additional common share at $0.30 for a nine-month period, which expired January 4, 2006. All warrants issued to insiders were exercised subsequent to year-end and provided gross proceeds to the Company of $465,000. Non-insider placees received units consisting of one common share and one warrant. Warrants issued to non-insiders entitled the holder thereof to purchase one additional common share at $0.35 per share for a 12-month period expiring April 4, 2006. Gross proceeds from the private placement amounted to $2,409,000. The net proceeds of the financing were used for general working capital and to reduce debt. This private placement took place prior to the 3:1 share consolidation on May 18, 2005. Accordingly, the number and price of the warrants were subsequently adjusted to reflect the consolidation.

- On July 14, 2005, the Company secured a $10,000,000 credit facility with an operating line of credit with a Canadian chartered bank, with a rate of interest at prime plus 0.875% per annum. The facility is due on demand and is secured by *inter alia*, a General Security Agreement. See "Description of Capital Structure – Debt Financings."

- On October 27, 2005, the Company closed a private placement of 3,750,034 units at $0.90 per unit; 1,244,444 units were subscribed for by insiders of the Company. Each unit consisted of one common share of the Company and one-half of one non-transferable share purchase warrant. Each share purchase warrant entitled the holder thereof to purchase one whole common share of the Company at $1.00 per share until October 27, 2006. Gross proceeds from the private placement amounted to $3,375,000. The net proceeds of the financing were used for general working capital purposes.

- In December, 2005, the Company signed a new four-year collective agreement with the International Association of Machinists and Aerospace Workers ("IAMAW"), which represents 500 aerospace technicians. Under the collective agreement, salaries will be increased per year, 0%, 0%, 3% and 4% respectively; the Company will make a one-time, lump-sum payment of 2.4% of each employee's base wage, of which 50% was paid in June 2006 and 50% in March 2007. Employees were able to elect to take the payment in shares or in cash.

2006:

- On January 11, 2006, Boeing Canada Technology signed a five-year contract extension with the Company. The contract value is approximately $60 million over five years, commencing in 2007.

- On March 23, 2006 the Company was awarded a five-year contract extension with Boeing Commercial Airplane Group to supply details, sub-assemblies and metal bonded components for Boeing 737, 747, 767 and 777 aircraft. The contract commenced January 1, 2007 and runs to December 31, 2011.

- On July 10, 2006, the Company closed a $12,000,000 brokered private placement pursuant to an Agency Agreement with Dundee Securities Corporation of 9.25% 5-year convertible Series A preferred shares, each of the Series A preferred shares convertible into common shares of the Company at any time, without the payment of additional consideration, at the option of the holder, on the following basis:

  Year 1: into common shares at a conversion price of $1.55 per common share;

  Year 2: into common shares at a conversion price of $1.75 per common share;

  Year 3: into common shares at a conversion price of $2.00 per common share;

  Year 4: into common shares at a conversion price of $2.35 per common share; and

  Thereafter: into common shares at a conversion price of $2.75 per common share.

- On July 19, 2006, the Company signed a Letter of Intent with BAE Systems, a principal partner with Lockheed Martin, for the newly-named F-35 Lightning II aircraft. The Letter of Intent requires the Company to provide low-rate initial production of outboard wings for the aircraft carrier variant of the Joint Strike Fighter F-35 aircraft.

- During 2006, the Company completed new arrangements with Export Development Canada ("EDC") and Technology Partnerships Canada ("TPC"). The EDC debenture with the Company has been re-negotiated deferring principal and interest payments thereby providing the Company with increased cash flow during its period of growth. The agreement has been amended to extend the period under which the Company can receive funding for eligible expenditures providing the Company with sufficient time to complete the project.

- On October 27, 2006, the Company announced its entry into the very light jet new market segment, with a contract to supply wing skins for the new Cessna Citation Mustang aircraft. The total annual value of the contract is USD$ 1.6 million with potential to increase to USD$6.0 million based on the Company's capacity, for the life of the program.

2007:

- On March 16, 2007, the Company announced via Honda Aircraft Company Inc. that it had entered into a collaboration agreement with Honda as a major component supplier for the HondaJet advanced light jet, to be produced at Honda Aircraft Company's state-of-the-art production facility being constructed in Greensboro, North Carolina, U.S.A.

- Effective April 1, 2007, the Company entered into an agreement to retain Mark van Rooij as its Chief Executive Officer.

- On May 15, 2007, the Company announced changes to the terms and security of the Company's operating line of credit.

- On August 13, 2007, the Company announced a private placement of 840,000 units at $2.20 per unit; 287,500 units of which were subscribed for by insiders of the Company, with an attaching share purchase warrant entitling the holder to purchase one additional share at $2.40 for a 24-month period from the closing date.

- On September 18, 2007, the Company announced a new Boeing contract award for a five-year contract to supply Boeing Integrated Defense Systems with details and sub-assemblies for the Chinook CH-47 Multi-Mission Heavy-Lift Transport helicopter for a total estimated value of the contract of USD$4.2 million.

- On October 10, 2007, the Company followed up its March 7, 2007 announcement of the entering into of an agreement to purchase all of the issued shares of a machining business, having significant military contracts. In the October 10, 2007 announcement, the Company announced that it has decided not to proceed with this acquisition focussing instead on investing in its own machining capabilities.

- On October 10, 2007, the Company announced that it signed a definitive agreement to acquire the shares of Comtek Advanced Structures Ltd. to add to ongoing operations and expertise in the design and competitive manufacture of advanced composite aerostructures, plus provide access to new aerospace markets for the Company.

2008:

- The Company announced on January 7, 2008 that it completed the closing of the acquisition of Comtek Advanced Structures Ltd. on December 31, 2007.

DESCRIPTION OF THE BUSINESS

The Company is an important supplier of subcontract design, fabrication and assembly services to major aircraft manufacturers. The Company designs and builds major airframe structures for some of the world's leading aircraft companies, including Boeing, Bombardier and Cessna. With over 50 years of experience, more than 750 skilled employees and combined 385,000 square foot facilities near Vancouver, British Columbia and Toronto, Ontario Canada, the Company offers integrated composite and metallic aircraft structures to aircraft manufacturers, a distinct advantage in the pursuit of contracts for new aircraft deigns, which require lower-cost, light-weight, strong, reliable structures. The Company is a Canadian public company traded on the Toronto Stock Exchange ("TSX") under the symbol "AVP".

Industry Overview

The aerospace industry is generally divided into two overlapping spheres: military and civil aircraft component manufacturing. The Company is engaged primarily in the civil aerospace business, as a designer and manufacturer of component aerostructures for manufacturers of private and commercial aircraft. The Company does certain production for military applications.

The civil aerospace business has historically a cycle of approximately 10 years and has most recently rebounded from a low that was triggered by 9/11 terrorist attacks. The civil aerospace business is partially seasonal as some aircraft manufacturers reduce or suspend production in December and for a period of time in summer.

Competition for airframe assemblies and aircraft parts comes from companies in Europe, Asia and the United States. Aircraft manufacturers continue to develop their supply chains by increasing the amount of outsourcing and reducing the number of suppliers. The trend of declining aircraft production rates for the three years post 9/11 has reversed, with increasing business jet sales, stable regional jet sales, and slightly increasing commercial jet sales. In 2005, passenger traffic increased, representing a recovery from 2003/2004 levels that were affected by the SARS outbreak in Asia and 9/11.

In the United States, aircraft products must comply with Federal Aviation Administration ("FAA") regulations governing production, quality systems and airworthiness, among other things. In Canada, aircraft products must comply with similar Transport Canada regulations. In 2004, the Company obtained AS9100 registration, as well as Transport Canada parts manufacture approvals ("PMA"). In 2007, the Company's AS9100 accreditation was renewed for three years. The Company is accountable to its customers for their adherence to FAA and other regulatory approvals. Most of the Company's special processes are also approved by the National Aerospace Defence Contractors Accreditation Program ("NADCAP").

Operations

The Company is a Canadian-based manufacturer within the aerospace industry, and a single-source supplier for engineering design, manufacture and assembly of subassemblies and complete major structures for aircraft manufacturers. The Company operates both from its head office and manufacturing facility in Delta, British Columbia, Canada, which consists of approximately 324,000 square feet of production and office space and its 61,000 square foot facility in Burlington, Ontario. Products include vertical and horizontal stabilizers, wing substructures, fuel tanks, fairings, fuselage panels and other bonded-metal structures. The Company also provides machined parts, sheet metal parts, process-treated aluminum, and in 2008, composite structures.

The Company sells a significant proportion of its products in US dollars at prices which are often established well in advance of manufacture and shipment dates. In addition, the Company purchases a significant proportion of its raw materials in US dollars at prices which are usually established at the order date. All of the Company's operations are based in Canada. As a result of this, the Company is exposed to currency risk to the extent that fluctuations in exchange rates are experienced.

The Company sells products directly to its major customers under long-term agreements for each product. The customer can vary the requirements of the agreements to match their particular aircraft production rates. The Company's principal market is North America and its principal customers are Boeing (shipping to customer facilities in Manitoba and Washington State), Bombardier (shipping to facilities in Quebec and Northern Ireland) and Cessna (shipping to facilities in Wichita, Kansas). Long-term contracts with three major customers comprise:

1. Bombardier - supply Bombardier with major structural components, including horizontal and vertical stabilizers and fuel tanks for the CRJ700/900 Series regional jets and the CL850/605 business jet. The contracts extend to the life of the program. The Company's CRJ700/900 Series program contract will be terminated during the first half of 2008.

2. Cessna - supply Cessna with major structural components, including center wing boxes, wing spar assemblies, wing skins, and vertical and horizontal stabilizers for the Cessna Citation Sovereign, CJ3 and Mustang business jets. The contracts extend to the life of the program.

3. Boeing - supply Boeing with 737NG wheel-well fairings and other detail components for 737, 747, 767, 777 and 787 commercial jets. The Company's contracts with Boeing were scheduled to expire in December 2006, but new five-year contracts with Boeing Canada Technology and Boeing Commercial Airplane Group extend the contracts from 2007 to 2011.

We have "general terms agreements" with our customers, which are typically for five years or more.

The table below sets out the amount and percentage of revenues, broken down by customer, for the years ended December 31, 2007 and December 31, 2006.

Revenues by Customer

	Year ended December 31, 2007		Year ended December 31, 2006	
Customer	Revenue (000's)	% of Total	Revenue (000's)	% of Total
Boeing	$19,327	17.5%	$ 21,084	20.3%
Bombardier	24,025	21.8%	22,698	21.9%
Cessna	57,666	52.3%	55,447	53.4%
Other	9,265	8.4%	4,621	4.4%
	$110,283	100%	$103,850	100%

The strengthening of the Canadian dollar as compared to the US dollar, relative to rates of exchange in effect during 2006, has caused revenues to reduce by $4,153,000.

Deliveries to Cessna Aircraft Company (Cessna) increased by 6% to 290 major structures in 2007, relative to 2006. However, a selling price reduction on a certain program, coupled with the strengthening in the Canadian dollar, has caused revenues to increase by a lesser amount relative to 2006. The primary sources of revenue from Cessna are from deliveries of components for the Citation Sovereign business jet and the Citation CJ3 business jet. A continuation of the current production rates for components of the Citation Sovereign and the Citation CJ3 is expected for 2008.

Deliveries to Boeing Commercial Airplane Group (Boeing) of smaller discrete parts have decreased from the preceding year, while shipments of larger assemblies for the 737 aircraft have increased by 9%. The primary source of revenue from Boeing is from the 737 aircraft. The Company continues to work towards obtaining additional new contracts supporting 737, 747, 767, 777 and 787 commercial jet programs.

Sales to Bombardier Aerospace (Bombardier) during the current year increased by 6% relative to the year ended December 31, 2006. The Company saw a slight decrease in Bombardier sales from regional jet product lines, with a more significant reduction in sales to Bombardier for components belonging to business jet programs. An increase in the scope of work performed for two aircraft primarily caused revenues for this year to exceed last year. The Company's primary source of revenues from Bombardier in 2008 will be from components on the CL605 and CL850 business jets. Bombardier has terminated for convenience, its contracts with the Company for delivery of components on the CRJ700/900 Series regional jet. It is expected that deliveries of components for CRJ700/900 Series regional jets will cease during the first half of 2008.

Sales from other customers grew significantly in 2007, as compared to the year ended December 31, 2006, primarily as a result of increased deliveries of Boeing 757 commercial jet wing adapter plugs for winglet retrofits. Deliveries of these components are expected to continue in 2008 at a somewhat reduced rate.

In 2008, it is anticipated that revenues from Cessna business jet programs, Bombardier business and regional jet programs, Boeing commercial jet programs and revenues from other customers will remain relatively constant in proportion and value to 2007.

Procured Materials and Parts

The Company is continuing its efforts to utilize its customer relationships to reduce or minimize the increase in cost of bought-in materials and parts as well as ensure delivery commitments. Delivery delays on raw materials, in particular aluminum plate and machined components have been partially mitigated by dual sourcing.

Aircraft Production Rates

The following industry and program trends impact the Company.

- Industry research indicates that the aerostructures market for commercial aircraft, business jets, as well as defence aircraft, will continue to grow through 2010.
- Boeing is increasing the rates on the 737 and 777 programs, while giving the 747 program renewed life with the introduction of the 747-8.
- The production rate on the Boeing 757-200 wing adapter plug for winglet retrofits increased through 2006 almost tripled in 2007 and will continue at slightly lower levels through 2008.
- Bombardier Challenger 850 and the Challenger 605 business jet aircraft production rates are forecasted to increase in 2008; while the CRJ700/900 program will end during the first half of 2008.
- Cessna Citation Sovereign and CJ3 business jet rates have increased significantly through 2007, with continued solid demand and increased order backlogs into 2008 to 2012.

Competitors

The long-term trend is to more intense competition from larger entities in Asia and Europe, while original equipment manufacturers continue to increase the size and amount of outsourced components. The strengthening of the Canadian dollar relative to the US dollar has caused the Company's Canadian operation's cost structure to increase on the global market.

Accordingly, the Company continues to examine opportunities for mergers or acquisitions, on a global basis, that would improve competitiveness and acquire vertical strengths or additional strategic capabilities.

Cost Reductions

Approximately 36% of the Company's cost of sales is related to labour and overhead and 64% related to procurement of raw materials and finished parts. The Company's wage rates are generally lower than its Western European and US competitors and higher than those in Asia, Eastern Europe and Mexico. The Company has achieved an element of labour cost certainty via a four-year collective agreement with its labour force expiring in September 2009.

The Company continues to focus on cost reductions for direct labour, material and overhead. These reductions will be achieved through headcount and overtime limitations as negotiated in the collective labour agreement, continued negotiation of long-term agreements for 50% of the key suppliers, increased plant capacity augmented by technological improvements, and continued focus on cost targets at all levels of the organization.

Proposed Transactions

As at the date of this Annual Information Form, no agreements to merge with or acquire another entity have been entered into, other than as disclosed elsewhere in the Company's financial statements for the year ended December 31, 2007, which are available on SEDAR at www.sedar.com.

RISK FACTORS

Risk Assessment

The principal risks that the Company faces are summarized as follows:

- significant increases in material costs, primarily aluminum plate, titanium and assembly hardware, and subcontractor costs, without equivalent price protection in customer contracts;
- reduction in production rates of aircraft manufacturers and delays in program introduction;
- actions and globalization by competitors;
- potential failure to achieve cost-reduction objectives relative to revenue growth; and
- the trend to greater use of composite material in primary structures in each new generation of aircraft.
- fluctuation in the value of the Canadian dollar relative to the US dollar.

The Company's view is that, with its financial structure, acquisition of a composite manufacturer and strategic plan in place, the Company is in a position to face and mitigate these risks.

A Significant Portion of the Company's Revenues Is Derived From a Few of Its Contracts

A small number of the Company's contracts account for a significant percentage of its revenues. Contracts with Boeing, Cessna and Bombardier comprised 91.6% of the Company's revenues in 2007, 95.6% for 2006, and 98% for each of 2005 and 2004. Termination or a disruption of any of these contracts or any single one of them, (including by way of option years not being exercised), or the inability of the Company to renew or replace any of these contracts when they expire, could materially harm the Company's business and impair the value of its Common Shares.

If the Company's Customers Experience Financial or Other Difficulties, the Company's Business Could Be Materially Harmed

A number of the Company's commercial customers have in the past and may in the future experience significant financial difficulties. Many of these customers face risks that are similar to those encountered by the Company, including risks associated with market conditions, competition, government regulations, and the ability to obtain sufficient capital. There can be no assurance that the Company's customers will be successful in managing these risks. If the Company's customers do not successfully manage these risks, it could impair the Company's ability to generate revenues, collect amounts due from these customers and materially harm the Company's business.

The Company Faces Risks from Downturns in the Domestic and Global Economies

The domestic and global economies have experienced downturns that have had significant effects on markets that the Company serves, particularly the airline industry. One recent downturn occurred following the terrorist attacks occurring on 9/11. The Company cannot predict the depth or duration of such downturns, and the Company's ability to increase or maintain its revenues and operating results may be impaired as a result of negative general economic conditions. It is difficult to estimate the growth in various parts of the economy, including the markets in which the Company participates, because of the uncertainty associated with domestic and global economic conditions. Because parts of the Company's budgeting and forecasting are reliant on estimates of growth in the markets it serves, the current economic uncertainty renders estimates of future revenues and expenditures even more difficult than usual to formulate. The future direction of the overall domestic and global economies could have a significant impact on the Company's overall financial performance and impair the value of its Common Shares.

The Company's Markets are Highly Competitive and Some of its Competitors Have Greater Resources than the Company

Some of the Company's competitors are larger and more established companies with significant competitive advantages, including greater financial resources and greater name recognition. The Company's primary competition includes: Aerospace Industrial Development Corporation (AIDC), Arnprior Aerospace, Magellan, Spirit Aerosystems, Vought, Fischer Advanced Composite Components (FACC), Gamesa, GKN Aerospace, Hampson, Latecoere, Shorts, Sonaca, Stork, Hawker de Havilland. If the Company is unable to compete effectively against any of these entities it could materially harm the Company's business and impair the value of its Common Shares.

The Company Could Incur Significant Costs and Expenses Related to Environmental Problems

Various federal, provincial and local laws and regulations require property owners or operators to pay for the costs of removal or remediation of hazardous or toxic substances located on a property. As operators of properties and as potential arrangers for hazardous substance disposal, the Company may be liable under the laws and regulations for removal or remediation costs, governmental penalties, property damage and related expenses. Payment of any of these costs and expenses could materially harm the Company's business and impair the value of its Common Shares

The Company May Not Be Able to Hire and Retain a Sufficient Number of Qualified Employees

The Company's success and growth will depend on its ability to continue to attract and retain skilled personnel. Competition for qualified personnel in the aircraft parts supply industry and in the manufacturing industry in general has been intense. Any failure to attract and retain qualified personnel could materially harm the Company's business and ability to attract and retain work.

The Company May Need Additional Financing to Maintain Its Business Which May or May Not Be Available

The Company's growth strategy requires continued access to capital. From time to time, the Company may require additional financing to enable it to:

- finance unanticipated working capital requirements;
- finance new program development and introduction;
- develop or enhance existing services and capabilities; or
- respond to competitive pressures.

The Company cannot provide assurance that, if it needs to raise additional funds, such funds will be available on favorable terms, or at all. If the Company cannot raise adequate funds on acceptable terms, its business could be materially harmed.

The Company's Credit Agreement Restricts Its Financial and Operational Flexibility

The Company's Credit Agreement contains covenants that restrict, among other things, its ability to borrow money, make particular types of investments, sell assets, merge or consolidate, or make acquisitions. The Company's Credit Agreement also requires the Company to maintain specified financial ratios. The Company's ability to meet these financial ratios can be affected by events beyond the Company's control, and there can be no assurance that the Company will be able to meet these ratios. The Company obtained waivers for all past covenant violations that have occurred. Historically, however, any breach in covenants that are not waived by the debt holders may render the debt immediately due and payable. At December 31, 2007, the Company was not in compliance with all its debt covenants. Waivers have been obtained from all debt holders for the covenant breaches.

The Company has also pledged substantially all of its assets to secure the debt under its Credit Agreements. If the amounts outstanding under the Credit Agreements were accelerated, the lenders could proceed against those assets. Any event of default, therefore, could have a material adverse effect on the Company's business and impair the value of its Common Shares.

The Company Faces Potential Product Liability Claims

The Company may be exposed to legal claims relating to the products it manufactures. The Company's agreements with its customers generally contain terms designed to limit its exposure to potential product liability claims. The Company also maintains a product liability insurance policy for its business. However, the Company's insurance may not cover all relevant claims or may not provide sufficient coverage. If the Company's insurance coverage does not cover all costs resulting from future product liability claims, these claims could materially harm the Company's business and impair the value of its Common Shares. As at December 31, 2007, the Company has a potential exposure to fund rework for a defective product in an estimated amount of $1,454,000.

The Company's Business Is Subject to Extensive Government Regulation

The aircraft parts manufacturing industry is subject to extensive regulatory and legal compliance requirements that result in significant costs. The FAA and Transport Canada from time to time issue directives and other regulations relating to the maintenance and modification of aircraft parts that require significant expenditures. The regulatory changes could materially harm the Company's business by making its current services less attractive or obsolete, or increasing the opportunity for additional competition. Changes in, or the failure to comply with, applicable regulations could increase costs and materially harm the Company's business.

Insiders Have Substantial Control over the Company and Can Significantly Influence Matters Requiring Shareholder Approval

As of December 31, 2007, the Company's executive officers, directors and their affiliates, in the aggregate, beneficially owned approximately 38.1% of the Company's outstanding Common Shares. As a result, these shareholders are able to significantly influence matters requiring approval by the shareholders of the Company, including the election of directors and the approval of mergers or other business combination transactions. This control may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of the Company's other shareholders to approve transactions that they may deem to be in the best interests of the Company.

Future Capital Needs

The Company may need to raise funds through public or private financing in order to achieve its objectives from time to time. There can be no assurance that additional financing will be available on terms favourable to the Company, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may be unable to continue its proposed expansion to take advantage of market opportunities, to respond to competitive pressures or continue to be viable. Such inability could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Key Personnel

The Company's success depends upon the continued services of the Company's senior management team and technical, marketing and operations personnel. Employees may voluntarily terminate their employment with the Company at any time. Competition for qualified employees in the industry is increasing. The loss of the services of key personnel could have a materially adverse effect upon the Company’s business, financial condition and results of operations. The Company currently does not maintain any key personnel insurance.

Interest Rate Risk and Future Cash Requirements

The Company’s exposure to changes in interest rates results from investing and borrowing activities undertaken to manage our liquidity and capital requirements. The Company has incurred indebtedness that bears interest at fixed and floating rates. There can be no assurance that the Company will not be materially adversely affected by interest rate changes in the future.

The Company believes that its current capital plans and requirements can be funded from existing cash, cash generated from operations, credit and debt facilities, and the proceeds from the exercise of stock options. To the extent that these resources are inadequate, or the Company pursues other business opportunities, the Company may raise additional funds through the expansion of credit lines, public or private debt or equity financing. If additional funds are raised through the issuance of equity securities, or the exercise of stock options and warrants, the percentage ownership of current shareholders will be reduced. No assurance can be given that additional financing will be available, or that it can be obtained on terms favourable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit, or eliminate some or all of its proposed expansions. The Company believes it will be able to meet all its debt covenants even if current capital plans and requirements are funded from debt.

DIVIDENDS

Although the Board of Directors is permitted to declare dividends on Common Shares from time to time out of available proceeds, it is the current policy of the Board of Directors to reinvest any profits in the development and advancement of the Company’s business. No dividends have been declared on the Common Shares during the previous three financial years. Payment of dividends in the future is dependent upon the earnings and financial condition of the Company and other factors which the board may deem appropriate at the time.

The Company issued 1,200,000 Series A convertible Preferred Shares which require the Company to declare and pay a mandatory annual 9.25% dividend based upon the paid up value of the Series A Preferred Shares. The dividend is payable throughout the term of the Series A Preferred Shares or until the Series A Preferred Shares are fully converted into Common Shares pursuant to the conversion terms attached thereto. The Company paid $920,000 in dividends to holders of its Series A Preferred Shares in 2007. See “Description of Capital Structure” below.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The Company is authorized to issue an unlimited number of common shares. Each common share carries the right for the holder to attend and vote at all general meetings of shareholders.

The Company is also authorized to issue first preferred shares and second preferred shares.

The first preferred shares carry a preference with respect to the payment of dividends and with respect to any liquidation, dissolution or winding-up of the Company over the second preferred shares, the common shares, and any other shares raking junior to the first preferred shares.

The second preferred shares carry a preference with respect to the payment of dividends and with respect to any liquidation, dissolution or winding-up of the Company over the common shares and any other shares of the Company ranking junior to the second preferred shares.

The rights attached to each series of preferred shares are determinable by the directors of the Company when the particular series is created. Currently no first preferred shares or second preferred shares are issued or outstanding.

On May 18, 2005, the Company consolidated shares at a ratio of three pre-consolidation common shares to one post-consolidation common share.

On June 29, 2006, the Company created a new class of securities, an unlimited number of series A preferred shares without par value ("Series A Preferred Shares"). The Series A Preferred Shares were created in conjunction with a private placement with Dundee Securities Corporation.

During the year ended December 31, 2007, holders converted 378,200 Series A Preferred Shares resulting in 821,800 Series A Preferred Shares remaining having a $7,672,000 book value. The conversion of these Series A Preferred Shares entitled the holders to 2,439,241 common shares at $1.55 per common share.

At the date of this Annual Information Form, no preferred shares, other than a total of 1,200,000 Series A First Preferred Shares have been issued.

Business Acquisitions

On March 6, 2007, the Company entered into a preliminary agreement to acquire all of the shares of a machining business. The agreement was subject to completion of due diligence and a definitive agreement by May 15, 2007, with closing scheduled for June 30, 2007. Closing was not completed as the Company decided not to proceed with this acquisition, focusing instead on investing and developing in its own machining capabilities.

On April 2, 2007, the Company entered into a preliminary agreement to acquire all of the shares of a composite aerostructures manufacturing business. The acquisition closed on December 31, 2007.

Prior to the closing date of December 31, 2007, the Company advanced Comtek Advanced Structures Ltd. $1,850,000 under the terms of a convertible loan agreement, which was subsequently applied as cash consideration in the purchase price.

In addition to the $1,850,000 invested into Comtek Advanced Structures Ltd., the Company assumed and repaid $150,000 of shareholder loans on behalf of Comtek Advanced Structures Ltd., and made payments totalling $73,000 to a group of its shareholders.

A majority of the principals of Comtek Advanced Structures Ltd. will remain and have agreed to assign their shares to the Company for 450,000 Company warrants, exercisable over a three-year period from closing, at an exercise price of $2.60 in year 1, $3.00 in year 2, and $3.50 in year 3. Comtek Advanced Structures Ltd. minority shareholders received 37,880 Company warrants, exercisable over an 18-month period from closing, at an exercise price of $2.50. The fair value of the 487,880 warrants issued to Comtek Advanced Structures Ltd. shareholders is $73,000. The Black-Scholes warrant-pricing model used by the Company to calculate warrant values utilizes subjective input assumptions whose change can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable, simple measure of the fair value of warrants issued by the Company.

The Company also issued 99,458 common shares to the shareholders of Comtek Advanced Structures Ltd. The $129,000 fair value of these common shares was estimated at the Company's December 31, 2007 market closing price of $1.30 per common share.

In addition, the Company has agreed to pay to the principal shareholders of Comtek Advanced Structures Ltd. one-third of the composite business' EBITDA for the year ending December 31, 2010, which is payable two-thirds in cash and one-third in the Company shares at the then current market price.

The costs of completing this acquisition amounted to $102,000.

The transaction was completed on December 31, 2007 and has been negotiated at arm's length.

The acquisition has been accounted for as a business combination, using the purchase method. The purchase consideration provided was allocated to the fair values of the assets acquired and liabilities assumed as follows:

	December 31 2007 $
Current assets	3,343
Property, plant and equipment	2,052
Customer relationships	1,320
Order backlog	130
Trade name	300
Patents	870
Goodwill	571
	8,586
Bank indebtedness assumed	(925)
Current liabilities assumed	(3,315)
Liabilities assumed	(783)
Future income tax liability	(1,186)
Net assets assumed	2,377
Purchase consideration:	
Cash	2,073
Acquisition costs	102
Company shares	129
Company warrants	73
	2,377

Debt Financings

Changes to the Company's Operating Line of Credit

During 2007, the following changes were made to the terms and security of the Company's operating line of credit:

- increase of the operating line of credit to $15,000,000;
- interest at prime plus 0.375%, 0.50%, 0.675%, or 0.75% determined on a quarterly basis according to specific measures of the ratio of debt to tangible net worth;
- foreign-exchange-forward facility having a notional risk for credit purposes of $3,528,000 to purchase foreign-exchange-forward contracts for major currencies up to an aggregate $3,528,000, with a maximum maturity of 12 months;
- release of the guarantee of the indebtedness of the Company by a Canadian financial institution; and
- increase in margining capacity.

Additional Line of Credit

In the course of acquiring Comtek Advanced Structures Ltd. the Company established an additional $2,000,000 operating line of credit having interest at prime plus 0.75% per annum.

At December 31, 2007, the Company had utilized $11,279,000 of these facilities (December 31, 2006: $5,564,000).

Debt Financing

As at December 31, 2007, the Company was not in compliance with its debt servicing covenant associated with the convertible debenture held by Export Development Canada. The Company has obtained a waiver from the debenture holder for this non-compliance. Also at December 31, 2007, the Company was not in compliance with its financial covenants associated with the term loan held by the Business Development Bank of Canada. The Company has obtained a waiver from the debt holder for these non-compliances.

Other Financings

Private Placement

During 2007, the Company entered into a private placement of 840,000 units at $2.20 per unit. 287,500 units were subscribed for by insiders of the Company. Each unit consists of one share and one warrant, where one warrant entitles the holder the right to purchase one additional share at $2.40 per share for a 24-month period from the closing date. Gross proceeds from the placement amounted to $1,848,000.

Agreement with Comtek Advanced Structures Ltd.

On December 31, 2007, the Company concluded its agreement to acquire the shares of Comtek Advanced Structures Ltd. This acquisition will add ongoing operations and expertise in the design and competitive manufacture of advanced composite aerostructures, plus provide access to new aerospace markets for the Company.

MARKET FOR SECURITIES

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange (“TSX”) under stock symbol “AVP”.

Trading Price and Volume

The following table sets out certain trading information for the Company’s common shares on the TSX for the financial year ending December 31, 2007.

Month	High	Low	Close	Volume
January	1.99	1.65	1.95	965,058
February	2.63	1.92	2.25	1,032,368
March	2.69	2.10	2.50	1,283,232
April	2.50	2.21	2.33	506,393
May	2.69	2.20	2.20	596,758
June	2.35	1.85	2.35	845,041
July	2.55	2.10	2.20	484,193
August	2.20	1.55	1.75	175,025
September	1.73	1.50	1.58	516,647
October	1.65	1.25	1.37	756,729
November	1.50	1.20	1.46	1,685,912
December	1.69	1.16	1.30	197,481

DIRECTORS AND OFFICERS

Directors are elected at the annual general meetings of shareholders for one-year terms, expiring at the next annual general meeting. Directors may be re-elected on expiry of term.

The names of the directors and officers of the Company as of December 31, 2007, their place of residence, and their respective principal occupations within the five preceding years are as follows.

Name and Residence	Position	Principal Occupation for Preceding Five Years	Date Appointed
Directors			
Michael C. Scholz(1)(3) British Columbia, Canada	Chairman of the Board, Director	Businessman; Chairman of the Board June 2004 to date; former Director, Great Canadian Gaming Corp., April 2000 to June, 2004, former Vice-Chairman from June 2001 to June, 2004 and former President of Great Canadian Gaming Corp., June 2001 to November 2003 (reporting issuer); prior thereto, partner, Alexander Holburn Beaudin & Lang (a law firm)	March 8, 1995
Earnest C. Beaudin(2) Alberta, Canada	Director	Director, Great Canadian Gaming Corporation (TSX) since May 28, 2002; President, General Counsel and Chief Executive Officer of Decker Management Ltd. and President, General Counsel and Chief Executive Officer of Decker Construction Ltd. (involved in the purchase, redevelopment, construction, ownership and operation of seniors care facilities in BC and commercial and residential development and construction in BC and Alberta, Canada) since February 1, 1986	June 25, 2004
Eric Kohn TD(3) Geneva, Switzerland	Director	Managing Partner of investment banking firms, Barons Financial Services SA, Geneva, Switzerland, and Barons Financial Services (UK) Ltd., London, UK, which is authorised and regulated by the Financial Services Authority	November 16, 2004

Name and Residence	Position	Principal Occupation for Preceding Five Years	Date Appointed
Directors			
Kees de Koning[1] Nootdorp, The Netherlands	Director	President and CEO Stork Aerospace Industries/Member of Executive Committee Stork NV (from 2001-2005); President Stork Fokker AESP BV (from 2002-2005); Member of the advisory board ICT to the Netherlands government (2005); vice-chairman of the supervisory board of the Netherlands Aerospace Laboratory (NLR); chairman of the "Aerospace Innovation Agenda" taskforce of the Netherlands Agency for Aerospace programmes (NIVR); member of the task force "Delcraft Works" (for advanced aircraft design) at Delft University	November 2, 2005
David Levi[2][3] British Columbia, Canada	Director	President and Chief Executive Officer and Director of Working Opportunity Fund (EVCC) Ltd. since January 1, 1992; Director, Xantrex Technology Inc. (TSX listed company) since October 9, 1997; President, Chief Executive Officer and Director of GrowthWorks Canadian Fund Ltd. since November 29, 2002; Director, Growth Works Atlantic Venture Fund Ltd. since November 16, 2004; President, Chief Executive Officer and Director, GrowthWorks Commercialization Fund Ltd.; and President, Chief Executive Officer and Director, Ensis Growth Fund Inc. since November 19, 2007.	February 27, 1999
Elizabeth Otis[1] Washington, USA	Director	Executive in Residence, Boeing Leadership Center (from 2003 to 2004); Vice President and General Manager, Fabrication Division, Boeing Commercial Airplanes Group (2001 to 2003); Chairman of the Board for the Performance Review Institute (PRI), affiliate of the Society of Aerospace Engineering (SAE)	May 18, 2006

Name and Residence	Position	Principal Occupation for Preceding Five Years	Date Appointed
Directors			
The Honorable John D. Reynolds, P.C.(2) British Columbia, Canada	Director	Senior Strategic Advisor, Lang Michener LLP (2006); Member of Queen's Privy Council for Canada (2006); Leader of the Official Opposition for the Government of Canada, Official Opposition House Leader and Member of Parliament for the riding of the West Vancouver – Sunshine Coast – Sea to Sky Country (1997 to 2006); Director, ARA Safety Inc. (a TSX-V reporting issuer) since January 21, 2008; Director, CY Oriental Holdings Ltd. (a TSX-V reporting issuer) since February 21, 2007; Director, Terrane Metals Corp. (a TSX-V reporting issuer) since July 24, 2006; Director, Rusoro Mining Ltd. (a TSX-V reporting issuer) since November 7, 2006; Director, Oriel Resources plc (a TSX reporting issuer) since March 1, 2005; Director, Calibre Mining Corp. (formerly TLC Ventures Corp.) (a TSX-V reporting issuer) since March 7, 2005	May 18, 2006
Mark van Rooij (1) British Columbia, Canada	Director	Chief Executive Officer, Avcorp Industries Inc. (effective April 1, 2007); Executive Vice President, Stork Fokker AESP BV (2002 to 2007); Interim President Stork SP Aerospace (2004); President Fokker Special Products BV (2001 to 2002); Business Development Stork Aerospace (2000 to 2001); Cluster Director Thermal Engineering (2000 to 2001)	May 17, 2007

Name and Residence	Position	Principal Occupation for Preceding Five Years	Date Appointed
Officers			
Mark van Rooij British Columbia, Canada	Chief Executive Officer	Chief Executive Officer since April 1, 2007; Member of the Board of Directors since May 17, 2007	N/A
Paul Kalil British Columbia, Canada	President	President since September 7, 2004; Member of the Board of Directors May 19, 2005 to May 18, 2006 and between 2001 and 2004; Chief Operating Officer from February 1, 2002 to September 7, 2004	N/A

Name and Residence	Position	Principal Occupation for Preceding Five Years	Date Appointed
Officers			
Edward Merlo British Columbia, Canada	Vice President, Finance and Corporate Secretary	Vice President, Finance and Corporate Secretary since April 25, 2002; prior thereto Acting Chief Financial Officer and Acting Corporate Secretary from February 27, 2002 to April 25, 2002 prior thereto Director, Finance, Aerostructures Division	N/A
Paul Meringer British Columbia, Canada	Vice President, Procurement	Vice President, Procurement since January 1, 2006; prior thereto Special Projects from June 7, 2005 to December 31, 2005; prior thereto Vice President, Operations from November 2002 to June 6, 2005	N/A
Amandeep Kaler British Columbia, Canada	Vice President, Assembly	Vice-President, Assembly since July 17, 2006; prior thereto Director, Assembly from January 3, 2005; prior thereto Manager, Metal Bond Cell from November 19, 2001; prior thereto Supervisor, Production from April 2000	N/A

(1) Member of the Executive Committee

(2) Member of the Audit & Corporate Governance Committee.

(3) Member of the Compensation & Nominating Committee.

The following sets out the principal occupation of the directors and executive officers of the Company who act as officers of a company other than Avcorp Industries Inc., with the principal business of the person or company as also set forth below:

Name	Company	Official Title	Principal Business of Company
Earnest C. Beaudin	Decker Management Ltd. Decker Construction Ltd.	President and Chief Executive Officer	Decker Management Ltd. is the owner and operator of extended care facilities and Decker Construction Ltd. is in the business of commercial and residential real estate development
David Levi	GrowthWorks Capital Ltd. (Manager of Working Opportunity Fund (EVCC) Ltd.)	President and Chief Executive Officer	Working Opportunity Fund (EVCC) Ltd. is an investment fund company. GrowthWorks Capital Ltd. provides investment advice to GrowthWorks Managed Funds
The Honorable John D. Reynolds, P.C.	Gainey Consultants Inc.	President	Gainey Consultants Inc. is a consulting firm

Name	Company	Official Title	Principal Business of Company
Michael C. Scholz	Acero-Martin Exploration Inc.	Chairman of the Board	Acero-Martin Exploration Inc., a mining company, is a reporting issuer listed on the TSX Venture Exchange
	CMC Metals Ltd.	Chief Financial Officer	CMC Metals Inc., a mining company, is a reporting issuer listed on the TSX Venture Exchange
	Fibre-Crown Manufacturing Inc.	Chief Financial Officer	Fibre-Crown Manufacturing Inc. is a reporting issuer listed on the NEX Board
	Uniserve Communications Corporation	Director	Uniserve Communications Corporation, a communications company, is a reporting issuer listed on the TSX Venture Exchange

Shareholdings of Management

To the knowledge of the Company, based on information obtained from SEDI (the System for Electronic Disclosure by Insiders database), at year ended December 31, 2007, the directors and executive officers of the Company as a group own, or exercise control or direction over a total of 11,966,569 common shares of the Company, representing 38.1% of the outstanding common shares of the Company on December 31, 2007.

Committees

Audit & Corporate Governance Committee

In fiscal 2007, the Audit & Corporate Governance Committee was composed of the following members: The Honorable John D. Reynolds P.C. (Committee Chair), Earnest C. Beaudin and David Levi. The Board believes that the composition of the Audit & Corporate Governance Committee reflects a high level of financial literacy and expertise. Each member has been determined by the Board to be “independent” and “financially literate” as such terms are defined under Canadian securities law and under corporate governance listing standards. The responsibilities and duties of the Audit & Corporate Governance Committee are set out in its charter, the text of which is attached to the Company’s Annual Information Form for financial year end December 31, 2006 and is available on SEDAR at www.sedar.com. The Audit & Corporate Governance Committee met four times during fiscal 2007. The following table describes the education and experience of each member, relevant to their responsibilities as an Audit & Corporate Governance Committee member.

Name of Audit Committee Member	Relevant Experience and Qualifications
The Honorable John D. Reynolds P.C. (Committee Chair)	• Mr. Reynolds served as both an MLA in British Columbia and as a Member of Parliament in Ottawa. Prior to his recent retirement from Federal politics he was the Official Opposition House Leader for the Conservative Caucus. Previously he had been Leader of the Opposition in the House of Commons for the Canadian Alliance Caucus • Mr. Reynolds is currently a Member of the Queen’s Privy Council for Canada and a Senior Strategic Advisor for the

Name of Audit Committee Member	Relevant Experience and Qualifications
	law firm Lang Michener LLP
Earnest C. Beaudin	• Barrister and Solicitor (British Columbia) • Founding Partner of the law firm Alexander, Holburn, Beaudin & Lang • President and Chief Executive Officer of Decker Management Ltd. (owner and operator of extended care facilities) and Decker Construction Ltd. (commercial and residential real estate development and construction) • Audit committee member of senior TSX reporting issuer
David Levi	• Studied economics and business at Simon Fraser University, the University of Hawaii and the Hebrew University in Israel. Mr. Levi's studies included courses in accounting • Completed the Canadian Securities Course in 1980 and the Canadian Options Course in 1982 • Vice-President of Broker Services for investment dealer, C.M. Oliver & Co. from 1981 to 1990 • Chair, Vancouver City Savings Credit Union (VanCity) from 1985 to 1987

Audit Fees

Audit fees were paid for professional service rendered by the auditors for the audit of the Company's financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements. PricewaterhouseCoopers LLP's fees for the Company's 2007 fiscal year were $112,682 for audit services provided to the Company. For the Company's 2006 fiscal year, audit fees were $130,000.

Audit-Related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fee item above. These services consisted of accounting consultations, services regarding the issuance of privately placed debentures and special attest services as required by government entities. PricewaterhouseCoopers LLP billed an aggregate of $14,920 in the Company's 2007 fiscal year and $13,128 in the Company's 2006 fiscal year services provided to the Company not reported under "Audit Fees" above.

Tax-related Fees

Tax-related fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services consisted of tax compliance including the review of original and amended tax returns, the preparation of tax returns, tax planning and advisory services relating to common forms of taxation including income tax, capital tax, goods and service tax and property tax. Fees for professional services rendered for tax compliance and tax advice provided to the Company were $26,509 for the Company's 2007 fiscal year and were $15,600 for the Company's 2006 fiscal year.

All Other Fees

There were no other fees paid other than the audit fees, audit-related fees and tax fees described above.

Compensation and Nominating Committee

In fiscal 2007, the Compensation and Nominating Committee was composed of the following members: Eric Kohn TD (Committee Chair), David Levi and Michael C. Scholz. The Compensation and Nominating Committee is responsible for proposing to the full board new nominees to the board. The Compensation and Nominating Committee annually assesses the skills and qualifications of directors and nominees to ensure the members of the board of directors have the skills and qualifications appropriate to the current needs of the Company. This Committee meets as required to review and make recommendations to the board of directors to all direct and indirect compensation, benefits and prerequisites for senior management and directors of the Company. The Compensation and Nominating Committee met one time during fiscal 2007.

Executive Committee

In fiscal 2007, the Company's Executive Committee was composed of the following members: Elizabeth Otis (Committee Chair), Kees de Koning and Michael C. Scholz. This Committee meets monthly to review monthly financial and operational results and provide direction to management, and may exercise any and all powers of the board of directors, subject to the annual strategic business plan and budget as approved by the board of directors and subject to applicable law. The Executive Committee met eleven times during fiscal 2007.

Code of Conduct

The Company has adopted a Code of Business Conduct and Ethics that applies to employees, officers (including without limitation, the Chief Executive Officer, Vice President, Finance and other high ranking financial officers) and directors of the Company and its subsidiaries. A copy of this Code is available on SEDAR at www.sedar.com

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the Company's knowledge, after having made due inquiry, the Company confirms that no director, executive officer or shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company is, or within the ten years prior to the date hereof has been, a director or executive officer of any other company that, while that person was acting in that capacity (i) was the subject of a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days, (ii) was subject to an event that resulted, after the director or executive officer ceased to hold such position, in the other company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (iii) within a year of that person ceasing to act in that capacity, was declared 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.

Other than as disclosed herein, to the Company's knowledge, no director or executive officer of the Company, nor any shareholder holding sufficient securities of the Company to materially affect control of the Company has:

(a) within the 10 years before the date of this Annual Information Form, 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 that person's assets;

(b) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(c) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

Other than as disclosed in this Annual Information Form, to the knowledge of the directors and senior officers of the Company, there are no existing or potential material conflicts of interest between the Company and a director or senior officer of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is subject to claims and litigation arising in the ordinary course of business. The Company believes the amount of ultimate liability with respect to these actions will not materially affect its financial position, results of operations or cash flow.

Litigation which is considered material is as follows:

During 2003, the Company was served with a certificate of readiness in respect of legal action, which was commenced against the Company in 1998, for an amount of $1,000,000 in respect of alleged future remediation costs relating to a certain property located in the province of Quebec and previously owned by the Company. A statement of defence has been filed. On November 19, 2003, the Company was granted a motion to set aside the certificate of readiness and permission for the Company to prepare its defence and further assess its position. By judgement of January 29, 2007, the Quebec Superior Court dismissed with costs the plaintiff's action against the Company. The plaintiff did not appeal this decision within the applicable period of thirty days and accordingly, this judgement is now a final judgement.

Regulatory Actions

No regulatory actions have been filed against the Company. The Company is in good standing with its regulatory authorities.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the year ended December 31, 2005, the Company entered into an agreement with a certain shareholder in consideration of mutual agreements with a Canadian chartered bank under which the shareholder guarantees the indebtedness of the Company to the Bank limited to $2,000,000. In connection with providing the limited guarantee on the operating line of credit, the Company will pay a 5% fee on the $2,000,000 limited guarantee calculated on a daily basis. Fees paid to a certain shareholder during the year ended December 31, 2007 amounted to $58,000 (December 31, 2006: $75,000). Fees payable to a certain shareholder as at December 31, 2007 are $75,000 (December 31, 2006: $33,000). These fees are included in the Statements of Operations as interest expense and financing charges and amount to $100,000 for the year ended December 31, 2007 (December 31, 2006: $100,000).

On February 3, 2006, a performance guarantee was provided by certain shareholders on production contracts with a certain customer. Fees ranging to $20,000 per month were provided as consideration for the performance guarantee. Fees paid to certain shareholders during the year ended December 31, 2007 amounted to $60,000

(December 31, 2006: $179,000). Fees payable to certain shareholders as at December 31, 2007 are $180,000 (December 31, 2006: $80,000). These fees are included in the Statements of Operations as cost of sales and amount to $240,000 for the year ended December 31, 2007 (December 31, 2006: $259,000).

During the second quarter of 2007, a director of the Company advanced $800,000 at 12% interest per annum, for the purpose of the Company extending a loan to Comtek Advanced Structures Ltd. The principal portion of the demand loan was repaid during the second quarter of 2007.

On January 4, 2007, the Company entered into a 12-month USD$12,000,000 foreign–exchange-forward contract with its provider of the operating line of credit. Under the terms of this agreement, the Canadian chartered bank required a CAD$3,024,000 deposit be made on the Company's behalf by a director of the Company for a three-month period. The Company paid a $15,000 fee for this transaction.

Other related-party transactions are disclosed in the Notes to the Company's financial statements for the year ended December 31, 2007, which are available on SEDAR at www.sedar.com.

These transactions were conducted in the normal course of business and were accounted for at the exchange amount.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Company's common shares is CIBC Mellon Trust Company with transfer facilities in Vancouver.

MATERIAL CONTRACTS

There are no material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company or any of its subsidiaries or their predecessors within the most recently completed financial year which are still in effect.

The Company's Consolidated Financial Statements and accompanying notes for the year ended December 31, 2007, together with the Company's Management Discussion and Analysis for the year ended December 31, 2007, have been filed with applicable securities regulators in Canada and may be accessed at www.sedar.com.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP are the independent auditors of the Company.

Shareholders' Auditor Pre-Approval Policies and Procedures and Fees

Information regarding fees paid to the Shareholders' Auditor, PricewaterhouseCoopers LLP, Chartered Accountants, 250 Howe Street, Vancouver, BC V6C 3S7 and filed under National Instrument 51-102, relies on the report of PricewaterhouseCoopers LLP, independent chartered accountants, which was given on their authority as experts in auditing and accounting. Information for the years ended December 31, 2007 and December 31, 2006, and the related pre-approval policies and procedures, appear on the Company's annual filings, which may be found on the Company's website at www.avcorp.com and which are also available on SEDAR at www.sedar.com

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, of Vancouver, British Columbia. PricewaterhouseCoopers LLP, Chartered Accountants, report that they are independent of the Company in accordance with the Rules of Professional Conduct in British Columbia.

ADDITIONAL INFORMATION

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The President and Vice-President, Finance are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The President and Vice-President, Finance have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company would have been made known to them as of the end of the fiscal year ended December 31, 2007.

As well, as of the end of the fiscal year ended December 31, 2007, the President and Vice-President, Finance have evaluated and conclude that the Company's internal controls over financial reporting have been adequately designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, control systems, no matter how well designed and operated, have inherent limitations, therefore, those systems, although determined adequately designed, can provide only reasonable assurance that the objectives of the system are met.

During 2007, there was no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Other Additional Information

Other Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of securities and securities authorized under equity compensation plans is contained in the Company's Information Circular for its most recent annual general meeting of shareholders, which is available on SEDAR at www.sedar.com.

Additional financial information is provided in the Company's consolidated statements for its year ended December 31, 2007, and the Management Discussion and Analysis of the Company for its year ended December 31, 2007. Any interim unaudited financial statements of the Company subsequent to December 31, 2007, are available on the Company's website at www.avcorp.com or on SEDAR at www.sedar.com.

Copies of the information referred to in this section may be obtained by writing to the Corporate Secretary of the Company at:

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Canada V4G 1M7

Telephone: (604) 582-1137
Facsimile: (604) 582-2620
Email: info@avcorp.com
or on the Company's website at www.avcorp.com