ANNUAL INFORMATION FORM

OF

AVCORP INDUSTRIES INC.

10025 River Way
Delta, British Columbia
V4G 1M7

for the
FISCAL PERIOD ENDED DECEMBER 31, 2008

Unless otherwise indicated, all information in this Annual Information Form is presented as at and for the year ended December 31, 2008.

March 31, 2009

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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 wholly-owned 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:

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:

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

- On September 10, 2008, the Company announced that it has signed an agreement with Cessna Aircraft Company to supply the tail assembly for Cessna's new Citation CJ4 business jet. The agreement included detail tooling fabrication along with manufacture, assembly, product support and spares for the Citation CJ4. The contract is expected to generate approximately US $110 million in revenue over the first ten years of the life of the aircraft. First flight of the Citation CJ4 occurred on May 5, 2008 with first Avcorp deliveries set for the first quarter of 2009. Avcorp has worked with Cessna on this program over the past year and a half and will eventually invest approximately $2.5 million in the manufacturing, engineering and start up.

- On October 14, 2008, the Company announced that Mr. Michael C. Scholz, Chairman, Avcorp Industries Inc., has acquired securities representing 20.2% of the total issued and outstanding of Avcorp Industries Inc.

- On November 14, 2008, Avcorp Industries Inc. and its subsidiary, Comtek Advanced Structures announced that Mr. Alistair Davie, Vice President of Comtek, was the 2008 recipient of the prestigious Engineering Medal in the Research and Development Category.

2009:

- On February 6, 2009, the Company announced that a continuing of the softening order book and rate reductions from its major customers have caused the Company to review operations and terminate approximately 100 management, staff and union employees, representing 12% of its current workforce. No bonuses will be paid for the years 2008 and 2009 and all management and staff salaries will be frozen at current levels for the year with all but necessary expenses being eliminated.

  As well it announced that the Company has renewed it operating bank line with HSBC and is well positioned to meet the current downturn in the market. Avcorp is continuing with the introduction and investment of four major new programs which will begin to see revenue this year and in the following years.

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 more than 50 years of experience, 580 skilled employees and 385,000 square feet of facilities, Avcorp offers integrated composite and metallic aircraft structures to aircraft manufacturers, a distinct advantage in the pursuit of contracts for new aircraft designs, 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 aluminium, 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 that 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 stabilizers and fuel tanks for the CH605 and CH850 business jet programs. The contracts extend to the life of the program.

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, 2008 and December 31, 2007.

Revenues by Customer

	Year ended December 31, 2008		Year ended December 31, 2007	
Customer	Revenue (000's)	% of Total	Revenue (000's)	% of Total
Boeing	$ 18,518	14.4%	$ 19,327	17.5%
Bombardier	28,760	22.3%	24,025	21.8%
Cessna	64,710	50.2%	57,666	52.3%
Other	16,880	13.1%	9,265	8.4%
	$128,868	100%	$110,283	100%

Deliveries of major structures to Cessna increased by 12% in 2008, relative to 2007. The primary sources of revenue from Cessna are from deliveries of components for the Citation Sovereign business jet whose deliveries increased by 18% in 2008 and the Citation CJ3 business jet for which deliveries fell by 3% in 2008

relative to 2007. A continuation of deliveries for components of these aircraft is expected to comprise the majority of revenues from Cessna for 2009, while the ramp-up of deliveries for the Citation CJ4 business jet components occurs.

New statements of work with Boeing were not sufficient to offset the 7% reduction in the shipments of larger assemblies for the 737 aircraft. The leading cause for the decrease in sales to this customer over those for the same period last year was work stoppages at Boeing. The primary source of revenue from Boeing is from the 737 aircraft. During 2008, the Company commenced its planned diversification into military work which will consist of deliveries of components to Boeing Integrated Defense Systems for the CH47 helicopter. The Company expects to achieve full rates of production parts for this program during 2009, with the intent to deliver larger assembled structures in 2010. The Company continues to work towards obtaining additional new contracts supporting 737, 747, 767, 777 and 787 commercial jet programs.

Deliveries to Bombardier increased for all of the Challenger business jet programs during the current year relative to the year ended December 31, 2007, with the exception of the CRJ700 regional jet programs. Bombardier's termination for convenience of the CRJ700 regional jet program caused a $7,479,000 reduction in revenues for 2008 relative to 2007. A termination claim has been presented to Bombardier for its cessation of the CRJ700 regional jet program with the Company and its resolution is currently being negotiated. The net increase for 2008 revenues from Bombardier was attributable to a 46% increase in deliveries of large assemblies for the Challenger business jet programs. The Company's primary source of revenues from Bombardier in 2009 will continue to be from components on the CL605 and CL850 business jets, and with the addition of composite floor boards for the CRJ and Q400 aircraft programs. In connection with existing floor board deliveries, the Company is currently negotiating a settlement on overpayment of royalties to Bombardier.

Non-recurring revenues amounting to $1,162,000 arising from program support for the Honda Aircraft Company Inc. (Honda) HondaJet business jet, in preparation for program production unit deliveries in 2009 and beyond, also contributed to business growth.

In 2009, 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 2008.

Procured Materials and Parts

Delivery delays on raw materials, in particular aluminum plate and machined components, have been partially mitigated by continued efforts with dual sourcing. The Company has increased safety stocks of primer paint in order to mitigate the risk of inconsistent deliveries. Also continuing efforts are being undertaken to utilize customer relationships to reduce or minimize the increase in cost of bought-in materials and parts as well as ensure delivery commitments.

Aircraft Production Rates

The following industry and program trends impact the Company.

- Industry research indicates that the aerostructures market for commercial aircraft and business jets is shrinking through 2010; the market for defence aircraft however is expected to continue to grow through 2010.
- Boeing has indicated that the rates on the 737 could be reduced by as much as 10% in 2010, while the introduction of the passenger version of the 747-8 is being delayed.
- The production rate on the Boeing 757-200 wing adapter plug for winglet retrofits is tapering off in 2009, partially offset with the introduction of the Boeing 757-300 wing plug variant.
- Bombardier Challenger 850 and the Challenger 605 business jet aircraft production are forecasted to decrease in 2009 and remain flat into 2010.
- Cessna Citation Sovereign and CJ3 business jet rates have decreased significantly for 2009 compared to 2008, and it is expected that these levels will be maintained into 2010. The introduction of the CJ4 is progressing as planned showing continuous growth into 2010.
- Offset opportunities created by the procurement within military aerospace programs by the Canadian government, exist to provide additional revenue from this aerospace sector.

Competitors

Despite the current economic conditions the long-term trend is still to more intense competition from larger entities in Asia and Europe, while original equipment manufacturers (OEM) continue to increase the size and amount of outsourced components. It can be expected that consolidation on Tier 1 and Tier 2 levels will continue to take place. 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 54% of the Company's cost of sales is related to labour and overhead and 46% 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's collective agreement with its labour force expires on September 30, 2009. Management is currently preparing for the negotiation of the successor agreement.

The Company continues to focus on cost reductions for direct labour, material and overhead. These reductions will be achieved through a reduction of internal and external supply chain parts shortages, continued negotiation of long-term agreements for 50% of key suppliers, increased plant capacity augmented by technological improvements, and continued focus on cost targets at all levels of the organization. Significant reductions in the direct labour force, staff and management have been undertaken in advance of anticipated reductions in aircraft production rates for 2009. The number of employees has been reduced by 22% since December 31, 2008. Production related material and shop supply costs have been reduced proportionately with anticipated program delivery reductions. Facilities are being consolidated in order to increase utilization and reduce overhead costs. All discretionary spending is being reviewed and controlled by senior management, with expenditures focused on expediting new commercial program business growth and launching of long-term defence programs.

Composite Materials

The December 31, 2007 acquisition of Comtek adds ongoing operations expertise in the design and competitive manufacture of advanced composite aerostructures which provides the opportunity for the Company to compete in a market which is trending, with each new generation of aircraft, to greater use of composite material in primary structures.

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, 2008, which are available on SEDAR at www.sedar.com.

RISK FACTORS

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. As at December 31, 2008, the Company was not in compliance with its working capital covenant associated with its operating line of credit. The Company has not obtained a waiver from the debt holder for this non-compliance and for anticipated future breaches. In addition, the Company is forecasting that it will be in default of one or more of its covenants in 2009. In the absence of obtaining a waiver of such breach, it would entitle the lender to demand immediate payment.

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.

Risk Assessment

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

- non-compliance with financial covenants associated with its operating line of credit and debenture held by Export Development Canada;
- 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.

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. However, there can be no assurance that the Company will be successful with all initiatives.

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 86.9% of the Company's revenues in 2008, 91.6% for 2007, and 95.6% for 2006. 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 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, 2008, the Company has a potential exposure to fund rework for a defective product in an estimated amount of $215,000.

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, 2008, the Company's executive officers, directors and their affiliates, in the aggregate, beneficially owned approximately 40.6% 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 $758,000 in dividends to holders of its Series A Preferred Shares in 2008. 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, 2008, holders converted 5,000 Series A Preferred Shares resulting in 816,800 Series A Preferred Shares remaining having a $7,622,000 book value. The conversion of these Series A Preferred Shares entitled the holders to 4,084,000 common shares at $2.00 per common share.

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

Business Acquisitions

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 (included in accounts payable and accrued liabilities)	102
Company shares	129
Company warrants	73
	2,377

Debt Financings

The Company has two operating lines of credit, which have a total maximum availability of $22,000,000. $2,000,000 of this total has been apportioned to Comtek Advanced Structures Ltd. The remaining $20,000,000 operating line of credit has the following terms and conditions:

- borrowing in excess of $15,000,000 up to $20,000,000 will be cash secured (utilized $14,273,000 as at December 31, 2008; utilized $11,279,000 as at December 31, 2007);
- interest at prime plus 0.875%, 1.00%, 1.175%, or 1.25% determined on a quarterly basis according to specific measures of the ratio of debt to tangible net worth;
- US dollar sub-limit for the operating line of credit is USD$15,000,000; and
- foreign forward exchange facility having a notional risk for credit purposes of $3,528,000 to purchase foreign forward exchange contracts for major currencies, with a maximum maturity of 12 months.

As at December 31, 2008, the Company was not in compliance with its working capital covenant associated with its operating line of credit. In addition, the Company is forecasting that it will be in default of one or more of its covenants in 2009. The Company has not obtained a waiver from the debt holder for either the existing breach as at December 31, 2008 or for anticipated future breaches. In the absence of obtaining a waiver of such breach, it would entitle the lender to demand immediate payment.

Also, as at December 31, 2008, the Company was not in compliance with its working capital and debt service coverage covenants associated with the convertible debenture held by Export Development Canada. The Company has not obtained a waiver from the debenture holder for these non-compliances and for anticipated future breaches. In the absence of obtaining a waiver of such breach, it would entitle the lender to demand immediate payment. The Company is currently negotiating the terms of repayment with Export Development Canada.

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, 2008.

Month	High	Low	Close	Volume
January	1.25	0.95	1.05	917,740
February	1.10	1.00	1.00	260,131
March	1.10	0.95	0.95	107,025
April	1.10	0.86	0.90	316,462
May	1.05	0.92	1.02	271,186
June	1.05	0.95	0.98	688,729
July	1.25	0.97	1.01	2,145,325
August	1.25	1.01	1.25	449,438
September	1.19	0.90	0.95	2,018,157
October	0.96	0.50	0.58	542,272
November	0.60	0.40	0.43	1,771,064
December	0.59	0.25	0.59	2,528,915

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, 2008, 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[(2) (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
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
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
Ken McQueen British Columbia, Canada	Vice President, Organization Development	Vice-President, Organization Development since July 17, 2008; prior thereto Director, Organizational Development from April 4,2005 to July 16, 2008 prior thereto Manager, Project Management Office from September 30 2003 to April 3, 2005; prior thereto Manager of Fabrication from January 5, 2002 to September 29, 2003	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
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, 2008, the directors and executive officers of the Company as a group own, or exercise control or direction over a total of 13,125,474 common shares of the Company, representing 40.6% of the outstanding common shares of the Company on December 31, 2008.

Committees

Audit & Corporate Governance Committee

In fiscal 2008, the Audit & Corporate Governance Committee was composed of the following members: Earnest C. Beaudin (Committee Chair), David Levi and Eric Kohn. 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 as Schedule A to this Annual Information Form. The Audit & Corporate Governance Committee met four times during fiscal 2008. 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
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
Eric Kohn	• Graduate of the University of Glasgow (BSc) in Natural Sciences • Chairman and CEO of ARS Servotron Group 1972 to 1985 • VP and Director Bankers Trust SA, Switzerland 1985 to 1987 • Founding and Managing Partner of the investment banking firm Barons Financial Services SA in Geneva, Switzerland and its subsidiary since 1987 Barons Financial Services (UK) Ltd in London (UK), which is regulated and authorized by the FSA of which he is a compliance officer

Pre-Approval Policies and Procedures

For a description of the policies and procedures for the engagement of non-audit services, see section 4.4 - Non-Audit Services in the Company's Audit Committee Charter attached as Schedule A to this Annual Information Form.

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 2008 fiscal year were $209,296 for audit services provided to the Company. For the Company's 2007 fiscal year, audit fees were $140,000.

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 $32,008 in the Company's 2008 fiscal year and $20,920 in the Company's 2007 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 $22,795 for the Company's 2008 fiscal year and were $19,085 for the Company's 2007 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 2008, 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 twice time during fiscal 2008.

Executive Committee

In fiscal 2008, the Company's Executive Committee was composed of the following members: Elizabeth Otis (Committee Chair), Kees de Koning, Mark van Rooij, 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 twelve times during fiscal 2008.

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.

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 or executive officer of the Company is, as at the date of this Annual Information Form (the "AIF"), or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that 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, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

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

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

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 or a subsidiary of the Company and any director or officer of the Company or of a subsidiary 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 Michael Scholz in consideration of mutual agreements with a Canadian chartered bank under which Michael Scholz 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 fee ranging from 5% to 10% on the $2,000,000 limited guarantee calculated on a daily basis. Fees paid to Michael Scholz during the year ended December 31, 2008 amounted to $100,000 (December 31, 2007: $58,000). Fees payable to Michael Scholz as at December 31, 2008 are $100,000 (December 31, 2007: $75,000). These fees are included in the Statements of Operations as interest expense and financing charges and amount to $125,000 for the year ended December 31, 2008 (December 31, 2007: $100,000).

On February 3, 2006, a performance guarantee was provided by Michael Scholz 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 Michael Scholz during the year ended December 31, 2008 amounted to $240,000 (December 31, 2007: $60,000). Fees payable to Michael Scholz as at December 31, 2008 are $120,000 (December 31, 2007: $180,000). These fees are included in the Statements of Operations as cost of sales and amount to $180,000 for the year ended December 31, 2008 (December 31, 2007: $240,000).

During the year ended December 31, 2008, consulting services were provided by Liz Otis and Kees de Koning. Fees paid to Liz Otis and Kees de Koning during the year ended December 31, 2008 amounted to $84,000 (December 31, 2007: $10,000). Fees payable to Liz Otis and Kees de Koning as at December 31, 2008 are $Nil (December 31, 2007: $47,000). These fees are included in the Statements of Operations as administrative and general expenses and amount to $37,000 for the year ended December 31, 2008 (December 31, 2007: $57,000).

During the first quarter 2009, Michael Scholz advanced the Company $400,000 at 12% interest per annum, for the purpose of funding severance payments made subsequent to year end. The principle and accrued interest are to be repaid in 2009.

Other related-party transactions are disclosed in the Notes to the Company's financial statements for the year ended December 31, 2008, 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, 2008, together with the Company's Management Discussion and Analysis for the year ended December 31, 2008, have been filed with applicable securities regulators in Canada and may be accessed at www.sedar.com.

INTERESTS OF EXPERTS

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 Chief Executive Officer, 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 Chief Executive Officer, 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, 2008.

As well, as of the end of the fiscal year ended December 31, 2008, the Chief Executive Officer, 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 2008, 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, 2008, and the Management Discussion and Analysis of the Company for its year ended December 31, 2008. Any interim unaudited financial statements of the Company subsequent to December 31, 2008, 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:

Avcorp Industries Inc.
10025 River Way
Delta, British Columbia
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

SCHEDULE A

AVCORP INDUSTRIES INC.
(the "Company")

AUDIT COMMITTEE CHARTER

1. Mandate

The audit committee will assist the board of directors (the "Board") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the company's business, operations and risks.

2. Composition

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

2.1 Independence

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

2.2 Expertise of Committee Members

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

3. Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions.

4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

(a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;

(b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;

(c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;

(d) review and recommend to the Board the compensation to be paid to the external auditors; and

(e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

4.2 Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

(a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and

(b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 Financial Reporting

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

General

(a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and

(b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

(c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;

(d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and

(e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

(f) review and approve the interim financial statements prior to their release to the public; and

(g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

(h) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

(a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

(b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:

(i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or

(ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

(c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

(i) the pre-approval policies and procedures are detailed as to the particular service;

(ii) the audit committee is informed of each non-audit service; and

(iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 Other Responsibilities

The audit committee shall:

(a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;

(b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;

(c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;

(d) review the policies and procedures in effect for considering officers' expenses and perquisites;

(e) perform other oversight functions as requested by the Board; and

(f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 Reporting Responsibilities

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

5. Resources and Authority of the Audit Committee

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the audit committee; and

(c) communicate directly with the internal and external auditors.

6. Guidance – Roles & Responsibilities

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1 Internal Control

(a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;

(b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and

(c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 Financial Reporting

General

(a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and

(b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and

(c) understand industry best practices and the Company's adoption of them.

Annual Financial Statements

(d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;

(e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;

(f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;

(g) consider management's handling of proposed audit adjustments identified by the external auditors; and

(h) ensure that the external auditors communicate all required matters to the committee.

Interim Financial Statements

(i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;

(j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and

(k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:

(i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;

(ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the company's operations and financing practices;

(iii) generally accepted accounting principles have been consistently applied;

(iv) there are any actual or proposed changes in accounting or financial reporting practices;

(v) there are any significant or unusual events or transactions;

(vi) the Company's financial and operating controls are functioning effectively;

(vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and

(viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 Compliance with Laws and Regulations

(a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";

(b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and

(c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 Other Responsibilities

(a) review, with the company's counsel, any legal matters that could have a significant impact on the company's financial statements.