



AVCORP INDUSTRIES INC.  
10025 River Way  
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## MANAGEMENT PROXY CIRCULAR

as at July 31, 2009

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of AVCORP INDUSTRIES INC. (the "Corporation" or "Avcorp") for use at the annual meeting (the "Meeting") of its shareholders to be held on Thursday, September 3, 2009 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.

In this Management Proxy Circular, references to "the Corporation", "we" and "our" refer to **AVCORP INDUSTRIES INC.** "Common Shares" means common shares without par value in the capital of the Corporation. "Beneficial Shareholders" means shareholders who do not hold Common Shares in their own name and "intermediaries" refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

### GENERAL PROXY INFORMATION

#### Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Corporation. The Corporation will bear all costs of this solicitation. The Corporation has arranged for intermediaries to forward the meeting materials to beneficial owners of Common Shares held as of the record date by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

#### Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the "Proxy") are David Levi, Chairman of the Board and a Director of the Corporation, and Mark van Rooij, Chief Executive Officer and a Director of the Corporation. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy**

#### Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors,
- (b) any amendment to or variation of any matter identified therein, and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.

#### Registered Shareholders

If you are a registered shareholder, you may wish to vote by proxy whether or not you attend the Meeting in person. If you submit a Proxy, you must complete, date and sign the Proxy and return it by mail or delivery in the enclosed envelope to the Corporation c/o CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario M5A 4K9 or if by hand, 320 Bay Street, Banking Hall Level, Toronto, Ontario at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment

thereof at which the proxy is to be used. You may also fax your completed proxy to 1-866-781-3111 or 416-368-3976, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used.

### Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold Common Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Corporation as the registered holders of Common Shares).

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial owners - those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners).

The Corporation is taking advantage of the provisions of National Instrument 54-101 that permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form (VIF) from our transfer agent, CIBC Mellon Trust Company. These VIFs are to be completed and returned to CIBC Mellon Trust Company in the envelope provided or by facsimile. In addition, CIBC Mellon Trust Company provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions. CIBC Mellon Trust Company will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive."

These securityholder materials are being sent to both registered and non-registered owners of the securities of the Corporation. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Corporation. However, its purpose is limited to instructing the intermediary on how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge") in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Corporation. The VIF will name the same persons as the Corporation's Proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation), other than the persons designated in the VIF, to represent you at the Meeting. To exercise this right, you should insert the name of the desired representative in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **If you receive a VIF from Broadridge, you cannot use it to vote Common Shares directly at the Meeting - the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have the Common Shares voted.**

Although as a Beneficial Shareholder you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker, you, or a person designated by you, may attend at the Meeting as proxyholder for your broker and vote your Common Shares in that capacity. If you wish to attend at the Meeting and indirectly vote your Common Shares as proxyholder for your broker, or have a person designated by you do so, you should enter your own name, or the name of the person you wish to designate, in the blank space on the voting instruction form provided to you and return the same to your broker in accordance with the instructions provided by such broker, well in advance of the Meeting.

Alternatively, you can request in writing that your broker send you a legal proxy which would enable you, or a person designated by you, to attend at the Meeting and vote your Common Shares.

## Notice to Shareholders in the United States

The solicitation of proxies involve securities of an issuer located in Canada and are being effected in accordance with the corporate laws of the Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Canada Business Corporations Act*, certain of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

## Revocation of Proxies

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the registered shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to CIBC Mellon Trust Company or at the registered office address of the Corporation, 10025 River Way, Delta, British Columbia, V4G 1M7 Attention: Edward Merlo, Vice President, Finance and Corporate Secretary, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attending the Meeting and voting the registered shareholder's Common Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation, nor any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, the appointment of the auditor and as may be set out herein.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Board of Directors of the Corporation has fixed Friday, July 31, 2009 as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

As of July 31, 2009, there were 48,472,394 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors and there are no cumulative or similar voting rights attached to the Common Shares.

The Corporation is also authorized to issue an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series.

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 Corporation over the second preferred shares, the Common Shares, and any other shares ranking junior to the first preferred shares.

The rights attached to each series of preferred shares are determinable by the directors of the Corporation when the particular series is created.

On July 10, 2006, the Corporation issued a total of 1,200,000 Series A First Preferred Shares (the "Series A First Preferred Shares") in conjunction with a private placement with Dundee Securities Corporation. In accordance with the Special Rights and Restrictions on the Series A First Preferred Shares, the holders of the Series A First Preferred Shares do not have the right to receive notice of, attend and

vote at a general meeting of the Corporation. There were 5,000 Series A First Preferred Shares converted to Common Shares during fiscal year ending December 31, 2008. There was a balance of 816,800 Series A First Preferred Shares at December 31, 2008. As at July 31, 2009 there were 796,800 Series A first Preferred Shares issued and outstanding.

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 Corporation over the Common Shares and any other shares of the Corporation ranking junior to the second preferred shares. As at July 31, 2009 there were no second preferred shares are issued or outstanding.

To the knowledge of the directors and executive officers of the Corporation, the below named shareholders beneficially owned, or controlled or directed, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Corporation at July 31, 2009:

Shareholder Name	Number of Shares Held	Percentage of Issued Shares
Panta Holdings B.V. <sup>(1)</sup>	16,157,465	33.3%
Michael C. Scholz <sup>(2,3)</sup>	6,788,263	14.0%
Working Opportunity Fund (EVCC) Ltd. <sup>(4,5)</sup>	5,132,617	10.6%

Notes:

- (1) Refer to subheading "Structured Financings" under heading "INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS" below.
- (2) Includes 6,449,196 Common Shares owned by Michael C. Scholz and 339,067 Common Shares owned by his wife, Carolyn Scholz. Mr. Scholz also holds warrants to purchase 100,000 Common Shares at a price of \$2.40 per Common Share exercisable up to and including August 15, 2009. Mr. Scholz also has control and direction over 177,850 Series A First Preferred Shares, of which 140,350 are registered indirectly.
- (3) Michael C. Scholz resigned from the Board on June 11, 2009.
- (4) Common Shares registered to Working Opportunity Fund (EVCC) Ltd. David Levi is President and CEO of GrowthWorks Capital Ltd., the manager of Working Opportunity Fund (EVCC) Ltd. Working Opportunity Fund (EVCC) Ltd. also holds warrants to purchase 100,000 Common Shares at an exercise price of \$2.40 per Common Share exercisable up to and including August 15, 2009.
- (5) David Levi was appointed Chairman of the Board on June 11, 2009.

The above information was supplied by the respective insiders and is reported on [www.sedi.ca](http://www.sedi.ca).

The following documents filed with the securities commissions or similar regulatory authority in all Provinces and Territories of Canada are specifically incorporated by reference into this management proxy circular.

- Annual Report containing the Corporation's audited consolidated financial statements for the fiscal year ending December 31, 2008 together with related Management's Discussion & Analysis;
- The Corporation's unaudited interim financial statements for the first quarter ending March 31, 2009; and
- The Corporation's Audit Committee Charter forming part of the Corporation's Annual Information Form dated March 31, 2009 for financial year ended December 31, 2008.

Copies of documents incorporated herein by reference may be obtained by a shareholder upon request without charge from Edward Merlo, Vice President, Finance and Corporate Secretary of the Corporation at 10025 River Way, Delta, British Columbia V4G 1M7, telephone number 604-582-1137, or e-mail [info@avcorp.com](mailto:info@avcorp.com). These documents are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

## FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the fiscal year ending December 31, 2008, with related Management Discussion and Analysis and the report of the auditor over the period and the Corporation's unaudited interim financial statements for the first quarter ending March 31, 2009, with related Management Discussion and Analysis, will be tabled at the Meeting. The Annual Report containing the Corporation's December 31, 2008 audited financial statements, the report of the auditor, together with related Management Discussion and Analysis for the fiscal year ending December 31, 2008, were mailed to registered shareholders of the Corporation, and to those non-registered shareholders who returned last year's Request Card. The first quarter unaudited financial statements and the related Management Discussion and Analysis for the period ending March 31, 2009 were mailed to those holders who had requested them on the Corporation's Supplemental Mailing List. Additional information relating to these documents may be obtained from Edward Merlo, Vice President, Finance and Corporate Secretary of the Corporation. These documents are also available on SEDAR at [www.sedar.com](http://www.sedar.com). They will also be available at the Meeting.

### VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein.

If there are more nominees for election as directors or appointment of the Corporation's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

### ELECTION OF DIRECTORS

The Articles of the Corporation provide that the number of directors of the Corporation will be a minimum of three (3) and a maximum of twenty (20). The term of office of each of the Corporation's five (5) current directors will end at the conclusion of the Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the Canada Business Corporations Act ("CBCA"), each director elected will hold office until the conclusion of the next annual meeting of the Corporation, or if no director is then elected, until a successor is elected.

The following table sets out the names of management's six (6) nominees for election as directors, all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment (for the five preceding years for new director nominees), the period of time during which each has been a director of the Corporation and the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at July 31, 2009.

Nominee Position with the Corporation and Province/State and Country of Residence	Occupation, Business or Employment <sup>(1)</sup>	Period as a Director of the Corporation	Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
David Levj <sup>(2,3)</sup> Director British Columbia, Canada	Chairman of the Board of the Corporation since June 11, 2009; President and Chief Executive Officer and Director of GrowthWorks (GrowthWorks); President and Chief Executive Officer and Director of GrowthWorks managed fund, Working Opportunity Fund (EVCC) Ltd. since January 1, 1992; President, Chief Executive Officer and Director of GrowthWorks managed fund, Canadian Fund Ltd. since November 29, 2002; Director of GrowthWorks managed fund, GrowthWorks Atlantic Venture Fund Ltd. since November 16, 2004; President, Chief Executive Officer and Director of GrowthWork managed fund, GrowthWorks Commercialization Fund Ltd.; Director, Xantrex Technology Inc. (TSX) from March 12, 2004 to September 29, 2008	Since February 27, 1999	5,132,617 <sup>(5)</sup>
Kees de Koning <sup>(3,7)</sup> Director Nootdorp, The Netherlands	President and CEO Stork Aerospace Industries/Member of Executive Committee Stork NV (from 2001 to 2005); President Stork Fokker AESP BV (from 2002 to 2005); Member of the Advisory 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	Since November 2, 2005	287,500
Eric Frank Kohn TD <sup>(2,3)</sup> Director Geneva, Switzerland	Managing Partner of investment banking firms, Barons Financial Services SA, Geneva, Switzerland, and Barons Financial Services (UK) Ltd., London, UK, which is authorized and regulated by the Financial Services Authority; Chairman of the Board, Noventa Limited (LSE AIM) since July 9, 2009.	Since November 16, 2004	101,591 <sup>(6)</sup>

Nominee Position with the Corporation and Province/State and Country of Residence	Occupation, Business or Employment <sup>(1)</sup>	Period as a Director of the Corporation	Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
Elizabeth Otis <sup>(4,8)</sup> Director Washington, USA	Executive in Resident, 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 , affiliate of the Society of Aerospace Engineering	Since May 18, 2006	30,000
Mark van Rooij <sup>(4,9)</sup> Director British Columbia, Canada	Chief Executive Officer (from April 1, 2007 to current date); Executive Vice President, Stork Fokker AESP BV (2002 to 2007); Interim President Stork SP Aerospace (2000 to 2001); Cluster Director Thermal Engineering (2000 to 2001)	Since May 17, 2007	65,571
Jaap R. Rosen Jacobson Nominee Mijdrecht, Netherlands	Principal, Pantia Holdings B.V. , a private investment corporation since November 1984.	Nominee	16,157,465 <sup>(10)</sup>

Notes:

- 1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Corporation and has been furnished by the respective nominees. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- 2) Member of the Audit and Corporate Governance Committee.
- 3) Member of the Compensation and Nominating Committee.
- 4) Member of the Executive Committee.
- 5) Common Shares registered to Working Opportunity Fund (EVCC) Ltd. David Levi is President and CEO of GrowthWorks Capital Ltd., the manager of Working Opportunity Fund (EVCC) Ltd. Working Opportunity Fund (EVCC) Ltd. also holds warrants to purchase 100,000 Common Shares at an exercise price of \$2.40 per Common Share exercisable up to and including August 15, 2009.
- 6) Includes 51,591 Common Shares registered to Barons Financial Services Ltd., of which Eric Kohn is Chairman and CEO, and whose beneficial owner is Delphi Advisors Ltd. Delphi Advisors Ltd. is a Bermuda corporation which is a bare trustee with respect to the ownership interest of Barons Financial Services Ltd. Mr. Kohn has control and direction over Delphi Advisors Ltd. with respect to Barons Financial Services Ltd. Mr. Kohn holds warrants to purchase 25,000 Common Shares at a price of \$2.40 per Common Share exercisable up to and including August 15, 2009.
- 7) Mr. de Koning also holds warrants to purchase 25,000 Common Shares at a price of \$2.40 per Common Share exercisable up to and including August 15, 2009.
- 8) Ms. Otis holds 1,150 Series A First Preferred Shares.
- 9) Mr. van Rooij holds warrants to purchase 7,500 Common Shares at a price of \$2.40 per Common Share exercisable up to and including August 15, 2009. Mr. van Rooij also holds 5,000 Series A First Preferred Shares.
- 10) These Common Shares are held indirectly through Pantia Holdings B.V.

Other than as set out herein, to the knowledge of the Corporation, no director or executive officer of the Corporation is at the date hereof or was within the last 10 years of the date of this Management Proxy Circular, a director, chief executive officer or chief financial officer of a company that,

- (a) while acting in that capacity, was subject to a cease trade or similar order or an order that denied the Corporation access to any exemption under securities legislation for a period of 30 consecutive days;
- (b) was subject to an event that resulted, after ceasing to act in such capacity, in a cease trade or similar order or an order that denied the Corporation access to any exemption under securities legislation for a period of 30 consecutive days. To the knowledge of the Corporation, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation is at the date hereof, or has been within the 10 years before the date of this Management Proxy Circular; or.
- (c) a director or executive officer of a company that, while acting in that capacity, or within a year of ceasing to act in such capacity became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or trustee appointed to hold its assets.

## APPOINTMENT OF AUDITOR

PricewaterhouseCoopers LLP, Chartered Accountants, 250 Howe Street, Vancouver, British Columbia, V6C 3S7 will be nominated at the Meeting for reappointment as auditor of the Corporation at a remuneration to be fixed by the directors. PricewaterhouseCoopers LLP was first appointed auditor of the Corporation on its date of incorporation of February 28, 1986.

## AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

The Corporation's Audit and Corporate Governance Committee's members during fiscal year ending 2008 were: Earnest Beaudin (Committee Chair), Eric Kohn TD and David Levi. Earnest Beaudin resigned from the Board effective June 11, 2009. Mr. Eric Frank Kohn was appointed Chairman of the Corporation's Audit and Corporate Governance Committee on June 11, 2009. National Instrument 52-110 of the Canadian Securities Administrators requires the Corporation to disclose annually certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor. See sections in the Corporation's Annual Information Form for fiscal year ending December 31, 2008, which contain information about the Corporation's Audit Committee and information containing the Corporation's relationship with its auditor, PricewaterhouseCoopers LLP.

## OTHER BOARD COMMITTEES

### Compensation and Nominating Committee

The Corporation has a Compensation and Nominating Committee of which the current members are Eric Kohn TD (Committee Chair), and David Levi. Michael C. Scholz, former member of the Corporation's Compensation and Nominating Committee, resigned from the Board on June 11, 2009. 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 Corporation. 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 Corporation.

### Executive Committee

The Corporation has an Executive Committee of which the current members are Elizabeth Otis (Committee Chair), Kees de Koning and Mark van Rooij. Elizabeth Otis and Kees de Koning are considered independent members. Mark van Rooij is not an independent member as he is the Chief Executive Officer of the Corporation. Michael C. Scholz, former member of the Executive Committee, resigned from the Board on June 11, 2009. The board has delegated responsibility to the Executive Committee for overseeing the management of the Corporation. This Committee meets monthly to review monthly financial and operational results and provide direction to management, and this Committee 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 is responsible for the appointment, monitoring and succession planning of the Corporation's senior management team. This duty is performed on a regular basis at meetings where management is not present.

## CORPORATE GOVERNANCE

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 Corporate Governance Guidelines, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA has implemented National Instrument 58-101F2 Disclosure of Corporate Governance Practices, which prescribes certain disclosure by the Corporation of its corporate governance practices. A complete description of corporate governance is set out in the Statement of Corporate Governance Practices attached as Schedule A to this Management Proxy Circular.

## COMPENSATION OF EXECUTIVE OFFICERS

The Corporation has five (5) Named Executive Officers or NEOs (as defined below). During the Corporation's fiscal year ending December 31, 2008 the aggregate direct remuneration paid or payable to the Corporation's Named Executive Officers by the Corporation and its subsidiaries, all of whose financial statements are consolidated with those of the Corporation, was \$900,472.

## GENERAL PROVISIONS

"Named Executive Officer" ("NEO") means each of the following individuals:

- (a) a Chief Executive Officer ("CEO");
- (b) a Chief Financial Officer ("CFO");
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a

- similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at December 31, 2008.

The following discussion includes disclosure relating to all compensation that the Board intended to pay, make payable, award, grant, give or otherwise provide to each NEO and director for the fiscal year ending December 31, 2008.

## COMPENSATION AND DISCUSSION ANALYSIS

### Compensation Objectives and Components

The Corporation's compensation policies and programs were designed to enable the Corporation to attract and retain senior management with the qualifications and experience necessary for the Corporation, given the stage of its development and the goals of its strategic plan. The objectives of the compensation program are also to motivate the executives and other members of management to achieve the strategic goals of the Corporation and their own specific objectives and goals as approved by the Compensation and Nominating Committee.

The general approach of the Compensation and Nominating Committee is that compensation of executive officers should be competitive with companies in the same industry but relies on the discussions of the Board, without any formal objectives, criteria and analysis, for determining executive compensation.

The compensation for executives includes four components: base salary, annual bonus, stock options and perquisites. As a package, the compensation components are intended to satisfy the objectives of the compensation program (that is, to attract, retain and motivate qualified executives). There are no predefined or standard termination payments, change of control arrangements or employment contracts; however three NEOs are party to employment agreements that contain termination provisions. See "Termination and Change of Control Benefits".

### Base Salary

The base salary component is intended to remunerate the NEO for discharging his or her responsibilities and duties. The Compensation and Nominating Committee reviews competitive market data for each executive position and recommends a base salary for each position. Salaries are reviewed annually and adjusted to reflect factors such as performance of the executive in the previous year, overall corporate performance and economic factors such as inflation.

### Annual Bonus

The bonus component is intended to reward performance by an executive that achieves or exceeds the executive's objectives and goals for the year. The bonus available for any particular executive is set by the Compensation and Nominating Committee within pre-established guidelines of the Board, and is arrived at through a review of comparable information in the industry and discussion at the Committee level. The decision each year whether to pay a bonus is made by the Board on recommendations of the Compensation and Nominating Committee and depends on the Corporation's cash position.

### Stock Options

The stock option component is intended to encourage loyalty of executives and align the interests of the executives with shareholders, to provide long-term rewards that are linked directly to the market price of the Corporation's shares and to provide incentive to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. This component satisfies the objective of the compensation program in encouraging executives to focus on assisting the Corporation to meet its strategic and operational goals.

The stock option plan (the "2007 Plan") is administered by the Board of Directors. Options are granted to executives based on seniority and the responsibilities of the position in question. The process by which the Board grants option-based awards to executive officers is:

The Board/Compensation and Nominating Committee approves base salaries, annual cash incentives and stock options at the same time to facilitate consideration of target direct compensation to executive officers. Options are granted at other times of the year to individuals commencing employment with the Corporation. The exercise price for the options is the closing price of the stock on the date of grant or the day after the grant if the grant day falls on a weekend or non-market day.

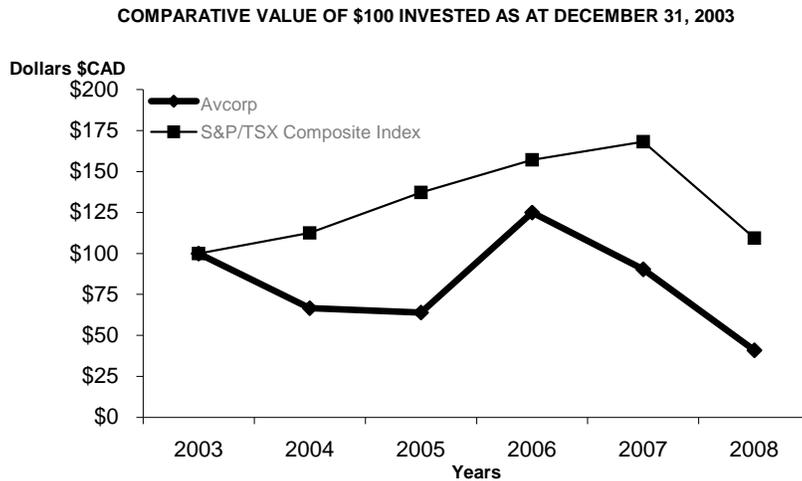
See "Stock Option Plan" for a discussion of the material provisions of the stock option plan of the Corporation.

**Perquisites**

The perquisites offered by the Corporation to NEOs are a car allowance, RRSP contributions and life insurance premiums. This component of the compensation program is intended to enable the Corporation to offer a total compensation package that is competitive and fits within the overall compensation objective of the Corporation by providing a method for the Corporation to attract and retain qualified executives.

**PERFORMANCE GRAPH**

The following graph compares the cumulative total return to a shareholder who invested \$100 in Common Shares of the Corporation compared to an investment of the same amount in the S&P/TSX Composite Index for the five most recently completed financial years.



**Return on \$100 invested in AVP and TSX**

Avcorp	\$100	\$67	\$64	\$125	\$90	\$41
S&P/TSX Composite Index	\$100	\$112	\$137	\$157	\$168	\$109

**Trend**

The above graph for the Corporation shows a decrease of 10% over the period from 2003 to 2007 and a further decrease of 55% during 2008. The decrease in cumulative total return during 2008 can be attributed to volatile market conditions in 2008. During the same period from 2003 to 2007 the Corporation's cumulative total return decreased compared to the S&P/TSX Index increase of 68%.

Executive compensation relating to base salary increased through this period. However, compensation adjustments in 2009 reflect current market conditions, where base salaries have been reduced by 7.5%.

**STOCK OPTION PLAN**

The Corporation's share option plan (the "2007 Plan") was approved at the annual meeting held on May 17, 2007. The 2007 Plan is a fixed plan wherein a maximum of 3,166,667 Common Shares (representing approximately 7% of the outstanding share capital on July 31, 2009) are reserved for issuance pursuant to the 2007 Plan. As at July 31, 2009 there were no options outstanding under the 2007 Plan. An aggregate of 646,788 options having been exercised and removed, leaving an aggregate of 2,519,879 stock options under the 2007 Plan being available for additional grants.

The Board of Directors made minor housekeeping/clerical amendments to the 2007 Plan on May 18, 2007, which amendments do not negatively affect the holders of Common Shares of the Corporation.

The 2007 Plan provides that options will be issued pursuant to option agreements to directors, officers, employees or consultants of the Corporation or a subsidiary of the Corporation. All options expire on a date not later than 10 years after the issuance of such option. Subject to the requirements of the policies of the Toronto Stock Exchange (the "TSX") and the prior receipt of any necessary regulatory approval, the Board may, in its absolute discretion, amend or modify the 2007 Plan or any outstanding option granted under the 2007 Plan, as to the provisions set out in the 2007 Plan.

The material terms of the 2007 Plan are as follows:

Options may be granted to directors, officers, employees or service providers of the Corporation ("Eligible Persons").

The aggregate number of Common Shares reserved for issuance pursuant to the 2007 Plan to any person or entity, will not exceed 5% of the Corporation's outstanding share capital at the time of grant. The aggregate number of Common Shares reserved for issuance to insiders of the Corporation under the 2007 Plan will not exceed 10% of the Corporation's outstanding share capital. The number of Common Shares issued to insiders of the Corporation within any one year period, under the 2007 Plan will not exceed 10% of the Corporation's outstanding share capital.

The exercise price for the options is the "market price" which means the volume weighted average Canadian dollar trading price of the Common Shares of the Corporation on the TSX for the five trading days prior to the date of grant, calculated by dividing the total value by the total volume of Common Shares traded (or, if such Common Shares are not then listed and posted for trading on the TSX, on such stock exchange on which such Common Shares are listed and posted for trading as may be selected for such purpose by the board). In the event that such Common Shares are not listed and posted for trading on any stock exchange, the market price shall be the fair market value of such shares as determined by the board in their sole discretion.

The 2007 Plan provides for the appointment of a director or officer of the Corporation to administer the 2007 Plan (the "Plan Administrator"). Vesting of the Options is at the discretion of the Plan Administrator, subject to approval of the Board of Directors, and will generally be subject to the Eligible Person to whom an option is granted (the "Options") remaining employed by or continuing to provide services to the Corporation or any subsidiary of the Corporation, as well as, at the discretion of the Plan Administrator, achieving certain milestones which may be defined by the board from time to time or receiving a satisfactory performance review by the Corporation or any subsidiary of the Corporation during the vesting period or remaining as a director or officer during the vesting period. At the time an option is granted which carries vesting provisions, the Plan Administrator may vary such vesting provisions, subject to any required regulatory approval.

Options can be exercisable up to maximum ten (10) years from the date the Option is granted.

No Option may be exercised after the Eligible Person has left the employ/office or has been advised his services are no longer required or his service contract has expired, except as set out in items (b) to (e) herein;

- (a) in the case of the death of an optionee, any vested option held by him at the date of death will become exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to such option;
- (b) subject to the other provisions set out in the 2007 Plan, vested options shall expiry ninety (90) days after the date the optionee ceases to be employed by, or provide services to the Corporation, or be a director or officer, and all unvested options shall immediately terminate without right to exercise same. In the case of an optionee being dismissed from employment or service for cause, such optionee's options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;
- (c) in the event of a change of control occurring, options granted to directors and officers which re subject to vesting provisions shall be deemed to have immediately vested upon the occurrence of the change of control; and
- (d) in the event of a director not being nominated for re-election as a director of the Corporation, although consenting to act and being under no legal incapacity which would prevent the director from being a member of the Board, options granted which are subject to a vesting provision shall be deemed to have vested on the date of Meeting upon which the director is not re-elected. Upon an optionee's employment being terminated for cause or upon an optionee being removed from office as a director or becoming disqualified from being a director by law, any option or the unexercised portion thereof granted to him shall terminate forthwith.

All options are exercisable only by the optionee to whom they are granted and are not assignable or transferable, except by will or by the laws of succession of the domicile of the deceased optionee. No option can be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of.

The approval by the board and the requisite approval from the TSX and the shareholders is required for any of the following amendments to be made to the 2007 Plan:

- (a) any amendment to the number of shares issuable under the 2007 Plan;
- (b) any reduction in the exercise price of an option (other than for standard anti-dilution purposes) held by or benefiting an insider;
- (c) an increase in the maximum number of options that may be issued to insiders within any one year period or that are issuable to insiders at any time;
- (d) an extension of the term of an option held by or benefiting an insider;
- (e) any change which would have the potential of broadening or increasing insider participation;

- (f) any amendment to the financial assistance provisions described in the 2007 Plan which is more favourable than what the 2007 Plan currently provides;
- (g) the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of Common Shares reserved for issuance hereunder;
- (h) the addition of a deferred or restricted share unit or any other provision which results in Eligible Persons receiving securities while no cash consideration is received by the Corporation; and
- (i) any other amendment that may lead to significant or unreasonable dilution in the Corporation's outstanding securities or may provide additional benefits to Eligible Persons, especially insiders, at the expense of the Corporation and its shareholders.

The Board may, in its sole discretion, without shareholder approval but subject to receipt of the requisite approval from the TSX, make all other amendments to the 2007 Plan that are not of the type contemplated in the 2007 Plan, including, without limitation:

- (a) amendments of a clerical or typographical nature;
- (b) a change to the vesting provisions of an option or the 2007 Plan;
- (c) a change to the termination provisions of an option or the 2007 Plan which does not entail an extension beyond the original expiry date of a granted Option, except as contemplated in the 2007 Plan;
- (d) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the 2007 Plan reserve;
- (e) an amendment to the exercise price of a granted option other than as contemplated in the 2007 Plan;
- (f) an amendment to the expiry date of a granted option, unless the amendment extends the expiry date of an option held by an insider;
- (g) an addition to, deletion from or alteration of the 2007 Plan or a granted Option that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
- (h) an amendment to correct or rectify any ambiguity, defective provision, error or omission in the 2007 Plan or a granted option; and
- (i) any other amendment to granted options held by non-insiders not otherwise specifically provided for in the 2007 Plan.

Subject to applicable law, the Corporation may, in its sole discretion, arrange for the Corporation to make loans or provide guarantees for loans by financial institutions to assist eligible persons to purchase shares upon the exercise of an option granted and to assist in paying any income tax payable upon exercise of an option. Any loans so granted by the Corporation will be full recourse to the eligible person and be secured by the shares purchased with the proceeds of the loan, and will be at such rates of interest, if any, and on such other terms as may be determined by the Corporation.

If a take over bid is made to an optionee or to the shareholders generally or to the holders of a class of shares of the Corporation (other than Common Shares) which includes the optionees, then the Corporation must upon receipt of notice of the take over bid, notify each optionee of the take over bid. Outstanding options may then be exercised in whole or in part by the optionee so as to permit the optionee to tender the optioned shares to the take over bid. If the take over bid is not completed within the time specified therein; or the optionee does not tender the optioned Common Shares pursuant to the take over bid; or if any of the optioned shares tendered by the optionee pursuant to the take over bid are not taken up and paid for by the offeror in respect thereof; then the optioned shares or, in the case of the take over bid are not taken up and paid for by the offeror in respect thereof, the optioned shares that are not taken up and paid for shall be returned by the optionee to the Corporation and reinstated as authorized but unissued Common Shares and the terms of the option as set forth in the relevant option agreement shall again apply to the option. If any optioned shares are returned to the Corporation under Section 2.9 of the 2007 Plan, the Corporation shall to the extent permitted by law, refund the exercise price to the optionee for such optioned shares. If the provisions of this section applies, in no event shall the optionee be entitled to sell the optioned shares otherwise than pursuant to the take over bid.

The 2007 Plan also contains a "black-out" provision. Should the expiry for an option fall within a black out period, or within 9 business days following the expiration of a black-out period, such expiry date shall be the 10<sup>th</sup> business day after the end of the black out period, such 10<sup>th</sup> business day to be considered the expiration date for such Option for all purposes under the 2007 Plan. The 10<sup>th</sup> business day period referenced in the 2007 Plan may not be changed by the Board of Directors under any circumstances.

A copy of the 2007 Plan will be available for inspection at the Meeting.

### SUMMARY COMPENSATION TABLE

The compensation paid to the NEOs during the Corporation's most recently completed financial year of December 31, 2008 is as set out below and expressed in Canadian dollars unless otherwise noted:

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation <sup>(3)</sup> (\$)		Pension value <sup>(5)</sup> (\$)	All other compensation <sup>(6)</sup> (\$)	Total compensation <sup>(7)</sup> (\$)
					Annual incentive plans <sup>(3)</sup>	Long-term incentive plans <sup>(4)</sup>			
Mark van Rooij <sup>(8)</sup> Chief Executive Officer	2008	210,000	--	--	--	--	--	38,005	288,005
	2007	153,461	--	--	40,000	--	--	21,923	175,384
Paul Kalil President	2008	179,284	--	--	30,000	--	--	21,365	230,649
	2007	175,577	--	--	17,477	--	--	20,379	213,433
	2006	150,000	--	--	--	--	--	18,391	168,391
Edward Merlo Vice-President Finance and Corporate Secretary	2008	151,188	--	--	20,000	--	--	20,031	191,219
	2007	143,538	--	--	--	--	--	19,541	163,079
	2006	126,000	--	--	--	--	--	16,568	142,568
Patrick Whyte President, Comtek Advanced Structures Ltd.	2008	180,000	--	--	--	--	--	9,922	189,922
Alistair Davie Vice President, Comtek Advanced Structures Ltd.	2008	180,000	--	--	--	--	--	6,299	186,299

Notes:

- 1) Includes the dollar value of cash and non-cash base salary earned during a financial year covered.
- 2) This amount represents the dollar amount based on the grant date fair value of the award for the year ended December 31, 2008.
- 3) These amounts include annual non-equity incentive plan compensation, such as bonuses and discretionary amounts for the year ended December 31, 2008.
- 4) These amounts include non-equity incentive plan compensation for a long year period of January 1, 2008 to December 31, 2008.
- 5) These amounts include all compensation relating to defined benefit or contribution plans and include all service costs and other compensatory items.
- 6) These amounts cover compensation other than amounts already set out in the table for the year ended December 31, 2008 and include car allowances, RRSP contributions and life insurance premiums.
- 7) These amounts include all amounts set out in table form for each NEO and executive officer.
- 8) Mark van Rooij was appointed as Chief Executive Officer on April 2, 2007.

### INCENTIVE PLAN AWARDS

As at December 31, 2008, Mark van Rooij held options to purchase 60,000 Common Shares at an exercise price of \$1.85 pursuant to the 2007 Plan. Options to purchase 30,000 of these Common Shares vested in 2007 and options to purchase 30,000 of these Common Shares vested in 2008. All of these options expired unexercised on January 23, 2009.

### PENSION PLAN BENEFITS

The Corporation has no pension plans for its directors, officers or employees.

### TERMINATION AND CHANGE OF CONTROL BENEFITS

The Corporation has three employment agreements in place.

The first being the agreement effective April 1, 2007 with Mark van Rooij providing for Mr. van Rooij's employment with the Corporation as Chief Executive Officer. Mr. van Rooij is entitled to terminate his employment with the Corporation on 90 days written notice. If the

Corporation terminates Mr. van Rooij's employment without just cause, the Corporation is required to pay 50% of his regular salary in the regular manner between the date of termination and March 31, 2009, plus pay the gross amount of \$210,000 less statutory deductions in equal instalments over a 12-month period beginning April 1, 2009 with the last payment made March 1, 2010, or if the Corporation terminates Mr. van Rooij's employment without just cause on or after March 31, 2009, the Corporation will pay the gross amount of \$210,000 less statutory deductions in equal instalments over a 12 month period (the "Severance"). In the event of a material reduction in his duties, as set out in the Employment Agreement, Mr. van Rooij would be entitled to resign and seek compensation equal to the Severance.

The Employment Agreement also provides for life insurance, health, relocation assistance, other benefits and grant of 60,000 options effective January 23, 2007, of which 30,000 options vested July 23, 2007 and 30,000 options vested January 23, 2008, all at an exercise price of \$1.85 exercisable up to and including January 23, 2009.

The Employment Agreement provides that in the event of a change of ownership of the Corporation, Mr. van Rooij will be entitled to resign his employment at any time within one year of the date of change of ownership if there is a reduction of his aggregate compensation, an assignment or reduction of duties inconsistent with his position or a change in work location outside of British Columbia. Upon such resignation, or if his employment is terminated by the Corporation with or without cause within one year of a change of control of the Corporation, Mr. van Rooij would be entitled to receive the Severance.

The other two agreements in place are for Patrick Whyte, President and Alistair Davie, Vice President of Comtek Advanced Structures. These two agreements are identical and effective December 31, 2007. Both parties are entitled to terminate their employment with the Corporation on six (6) months written notice.

The employment of the Executive may be terminated at any time within three (3) full fiscal years after the commencement of this Agreement, without Cause and without any advance notice by paying the Executive, as agreed severance, an amount equal to eighteen (18) months of the Executive's Salary. The employment of the Executive may be terminated at any time after three (3) full fiscal years after the commencement of this Agreement by the Company, without cause and without any advance notice by paying the Executive, as agreed severance, an amount equal to twelve (12) months of the Executive's Salary. Such amounts shall be payable notwithstanding any other employment income or compensation received by the Executive after termination.

Company will permit the Executive to participate in any benefit plan(s) (including but not limited to those relating to stock options, extended health and life and accidental death) which may be offered by the Company from time to time to its senior staff generally in the manner and to the extent authorized by the Board of Directors of the Company in its discretion. Participation in the Registered Retirement Savings Plan and long-term disability benefit plan will be at the option of the Executive and at the Executive's own expense. During the term of the Executive's employment pursuant to this Agreement, the Company shall pay the premiums for a life insurance policy or policies on the life of the Executive.

## DIRECTOR COMPENSATION

### Director Compensation Table

The compensation provided to the directors, excluding a director who is included in the disclosure for NEOs for the Corporation's most recently completed fiscal year ending December 31, 2008 is as set out below:

Name <sup>(1)</sup>	Fees earned <sup>(2)</sup> (\$)	Share-based Awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Michael C. Scholz <sup>(4)</sup>	26,250	--	--	--	--	340,000 <sup>(3)</sup>	366,250
Earnest C. Beaudin <sup>(5)</sup>	15,750	--	--	--	--	--	15,750
Eric Kohn TD	15,750	--	--	--	--	--	15,750
Kees de Koning	23,250	--	--	--	--	33,000	56,250
David Levi	--	--	--	--	--	--	--
Elizabeth Otis	23,250	--	--	--	--	3,930	27,180

Notes:

- 1) Does not include disclosure for a director who is also an NEO unless compensation has not previously been fully disclosed herein.
- 2) Includes all fees awarded, earned, paid or payable in cash for services as a director, including annual retainer fees, committee, chair and meeting fees.
- 3) Includes all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, wherein the director received \$340,000 for guarantee fees and the remainder as consulting fees.
- 4) Michael C. Scholz resigned from the Board on June 11, 2009.
- 5) Earnest C. Beaudin resigned from the Board on June 11, 2009.

The directors of the Corporation, other than those employed by the Corporation or employed by GrowthWorks Capital Ltd., receive fees in their capacity as directors. Eligible directors are each paid, or accrued to be paid, \$9,000 per annum as a director's fee plus \$750 for each meeting attended. All directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

During the year ended December 31, 2008, consulting services were provided by Elizabeth Otis and Kees de Koning. Fees paid to Liz Otis and Kees de Koning during the year ended December 31, 2008 amounted to \$83,430.

There are no share-based awards and option-based awards outstanding as at December 31, 2008, for any directors or NEOs excluding a director who is included in the disclosure for NEOs for the Corporation.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2008.

#### Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options.	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders - (the 2007 Plan)	60,000 <sup>(1)</sup>	\$1.85	2,459,879
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	60,000	\$1.85	2,459,879

Note:

- 1) These options expired unexercised following the December 31, 2008 year end of the Corporation.

#### Equity Compensation Plan Information

During 2008, holders of options exercised a total of 166,634 share purchase options resulting in the issuance of 166,634 Common Shares at a price of \$0.90 per Common Share, for total gross proceeds of \$150,000. As at July 31, 2009, there are no options issued or outstanding.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Corporation were indebted to the Corporation as of the end of the most recently completed financial year or as at the date hereof.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

This Management Proxy Circular, including the disclosure below, briefly describes (and, where practicable, states the approximate amount) of any material interest, direct or indirect, of any informed person of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the corporation or any of its subsidiaries

#### Operating Line of Credit

During the year ended December 31, 2005, the Company entered into an agreement with a certain shareholder and director in consideration of mutual agreements with a Canadian chartered bank under which the shareholder and director 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 a certain shareholder and director during the year ended December 31, 2008 amounted to \$100,000 (December 31, 2007: \$58,000). Fees payable to a certain shareholder and director 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).

### Performance Guarantee

On February 3, 2006, a performance guarantee was provided by certain shareholders and directors 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 a certain shareholder and director during the year ended December 31, 2008 amounted to \$240,000 (December 31, 2007: \$60,000). Fees payable to a certain shareholder and director 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).

### Structured Financings

To reduce outstanding indebtedness and for general corporate purposes, and in order to strengthen Avcorp's financial position, the Corporation entered into a private placement transaction with Panta Holdings B.V. ("Panta") of the Netherlands. On July 21, 2009, Panta purchased 16,157,465 Common Shares of Avcorp at a price of \$0.15 per Common Share for a total gross proceeds of \$2,423,620 (the "Panta Private Placement"). The proceeds from the Panta Private Placement were used as working capital and for repayment of a bridge loan of approximately \$1.5 million advanced by Panta on June 15, 2009. In addition, a shareholder loan owing to Michael Scholz, in the principal amount of \$400,000, was repaid. The Common Shares issuable to Panta under the Panta Private Placement represent approximately 33.3% of the outstanding Common Shares of Avcorp.

The TSX has approved the Panta Private Placement, subject to customary conditions. As the private placement resulted in the issue of listed securities in excess of 25% of the current issued and outstanding Common Share capital of Avcorp, the TSX required that shareholders of Avcorp approve the Panta Private Placement. To satisfy this condition, Avcorp has, as permitted under section 604(d) of the TSX Company Manual, obtained written consents in support of the Panta Private Placement and resulting change in control from persons who beneficially hold in excess of 50% of the issued and outstanding voting Common Shares of Avcorp.

In support of Avcorp's efforts to bolster its cash balances, Panta has also agreed to guarantee a rights offering of Avcorp to be undertaken immediately following the completion of the Panta Private Placement. Avcorp currently intends to issue to each shareholder the right to purchase two and one-half shares for every share held as of the record date for the issue of such rights. The rights to be issued will permit the purchase of Common Shares of Avcorp at a price of \$0.06 per share, for total gross proceeds of approximately \$7.3 million. Panta will be paid a fee in rights of Avcorp equal to 10% of the gross number of rights issued under the rights offering, less the portion of rights attributable to shares already held by Panta. Each right issued to Panta as a fee will be exercisable at \$0.06 per share for additional potential proceeds of approximately \$500,000.

As an interim measure, Panta has also agreed to loan the Company \$4 million in tranches during the period up to the closing of the rights offering. Such loan will either be repaid from the proceeds of the rights offering or settled against the exercise of rights taken up by Panta.

### MANAGEMENT CONTRACTS

Except as set out herein, there are no management functions of the Corporation which are to any substantial degree performed by a person or company other than the directors or executive officers of the Corporation.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides insurance for the benefit of the directors and officers of the Corporation, more particularly described as follows:

- (a) The premium for the primary D&O insurance is, in aggregate for directors and officers, \$54,000;
- (b) The limit of the primary D&O insurance is \$10,000,000 (penal defence coverage and professional services are limited to \$1,000,000 each);
- (c) There is a \$50,000 deductible with respect to Corporate indemnification for penal defence cost reimbursement and professional services which the Corporation would pay in the event of a claim in these areas;
- (d) The premium for the excess D&O insurance is, in aggregate for directors and officers, \$48,600; and
- (e) The limit of the excess D&O insurance is \$10,000,000.

### INDEMNIFICATION

No indemnification under section 124 of *CBCA* has been paid or is to be paid for the last completed financial year. Note – if paid, insert amount paid or payable, the name and title of the individual indemnified or to be indemnified and the circumstances that gave rise to the indemnity.

#### ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's comparative financial statements and Management Discussion and Analysis. The Corporation will provide to any person or company, upon request to Edward Merlo, Vice President, Finance and Corporate Secretary of the Corporation at 10025 River Way, Delta, British Columbia V4G 1M7, telephone number 604-582-1137, or e-mail [info@avcorp.com](mailto:info@avcorp.com), one copy of any of the following documents:

- (a) the comparative financial statements of the Corporation filed with the applicable securities regulatory authorities for the Corporation's most recently completed financial year in respect to for which such financial statements have been issued, together with the report of the auditor, related management's discussion and analysis and any interim financial statements of the Corporation filed with the applicable securities regulatory authorities subsequent to the filing of the annual financial statements; and
- (b) the management proxy circular of the Corporation filed with the applicable securities regulatory authorities in respect of the most recent annual meeting of shareholders of the Corporation which involved the election of directors.

Copies of the above documents will be provided, upon request, free of charge to security holders of the Corporation. The Corporation may require the payment of a reasonable charge from any person or company who is not a security holder of the Corporation, who requests a copy of any such document. The foregoing documents are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### OTHER MATTERS

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Management Proxy Circular.

#### SHAREHOLDER PROPOSALS

Pursuant to Canadian law, shareholder proposals to be considered for inclusion in the management proxy circular for the 2010 annual meeting of the Corporation (expected to be held on May 21, 2010) must be received by the Secretary of the Corporation on or before the close of business on March 21, 2010.

#### DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the Board of the Corporation.

DATED at Delta, British Columbia, July 31, 2009.

*"Mark van Rooij"*

Mark Van Rooij  
Chief Executive Officer

**Appendix 1 attached to Avcorp Industries Inc. Management Proxy Circular dated as at July 31, 2009  
Disclosure of Corporate Governance**

The Corporation is committed to maintaining high standards of corporate governance. The Corporation has adopted an Audit Committee Charter (as attached to the Corporation's Annual Information Form dated March 31, 2009 for fiscal year ending December 31, 2008 which is available on SEDAR at [www.sedar.com](http://www.sedar.com)), and a Business Code of Conduct which is also available on SEDAR at [www.sedar.com](http://www.sedar.com) and is in the process of establishing a comprehensive corporate governance policy to continually assess its governance practices as corporate governance policies, practices and requirements evolve.

On June 30, 2005, National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 *Corporate Governance Guidelines* ("NI 58-201") came into effect (the "Guidelines"). These rules require issuers to disclose the corporate governance practices that they have adopted and provide guidance on corporate governance practices.

The following disclosure has been approved by the Board and is as current as at fiscal year ending December 31, 2008.

NI 58-101	Corporate Governance Practices																								
<p><b>1. Board of Directors</b></p> <p>(a) Disclose the identity of directors who are independent.</p>	<p>NI 58-101 states that a director is independent if a reasonable person with knowledge of all the relevant circumstances would conclude that the director is independent of management of the Corporation and of any significant security holder of the Corporation.</p> <p>During 2008, the Corporation had seven directors listed below, the majority of whom meet the independence standards as set out by NI 58-101.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Name</th> <th style="text-align: center;">Independent</th> <th style="text-align: center;">Non-Independent</th> </tr> </thead> <tbody> <tr> <td>Michael C. Scholz<sup>(1)</sup></td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td>Earnest C. Beaudin<sup>(2)</sup></td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td>Eric Kohn TD</td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td>Kees de Koning</td> <td></td> <td style="text-align: center;">X</td> </tr> <tr> <td>David Levi<sup>(3)</sup></td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td>Elizabeth Otis</td> <td></td> <td style="text-align: center;">X</td> </tr> <tr> <td>Mark van Rooij</td> <td></td> <td style="text-align: center;">X</td> </tr> </tbody> </table> <p><sup>(1)</sup> Michael C. Scholz resigned from the Board on June 11, 2009.  <sup>(2)</sup> Earnest C. Beaudin resigned from the Board on June 11, 2009.  <sup>(3)</sup> David Levi was appointed as Chairman of the Board on June 11, 2009.</p>	Name	Independent	Non-Independent	Michael C. Scholz <sup>(1)</sup>	X		Earnest C. Beaudin <sup>(2)</sup>	X		Eric Kohn TD	X		Kees de Koning		X	David Levi <sup>(3)</sup>	X		Elizabeth Otis		X	Mark van Rooij		X
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<p>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>Explanations for the determination of these directors' non-independence is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Non-Independent Directors</th> <th style="text-align: center;">Explanatory Note for Non-Independence Determination</th> </tr> </thead> <tbody> <tr> <td>Kees de Koning</td> <td>Mr. de Koning is a non-independent director as he is a paid expert consultant to the Corporation</td> </tr> <tr> <td>Elizabeth Otis</td> <td>Ms. Otis is a non-independent director as she is a paid expert consultant to the Corporation</td> </tr> <tr> <td>Mark van Rooij</td> <td>Mr. van Rooij is a non-independent director as he is an employee and officer of the Corporation</td> </tr> </tbody> </table>	Non-Independent Directors	Explanatory Note for Non-Independence Determination	Kees de Koning	Mr. de Koning is a non-independent director as he is a paid expert consultant to the Corporation	Elizabeth Otis	Ms. Otis is a non-independent director as she is a paid expert consultant to the Corporation	Mark van Rooij	Mr. van Rooij is a non-independent director as he is an employee and officer of the Corporation																
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<p>(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.</p>	<p>The Board has determined that the majority of directors are independent within the meaning of NI 58-101.</p> <p>The Corporation currently has a board comprised of seven directors, four of whom are independent. The independent directors are able to, and at ad hoc, as necessary intervals, meet without the presence of management to ensure that the board may function independent of management. During the fiscal year ending December 31, 2008, there have been five (5) meetings of the board.</p>																								

NI 58-101	Corporate Governance Practices		
<p>(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or foreign jurisdiction, identify both the director and the other issuer.</p>	<b>Name of Director</b>	<b>Directorships with Other Reporting Issuers</b>	
	Eric Kohn TD <sup>(1)</sup>	Director	Magna Investments PLC (UK) Noventa Limited (UK)
	David Levi <sup>(2)</sup>	Director, President & CEO	Ensis Growth Fund Inc.
		Director	GrowthWorks Atlantic Venture Fund Ltd.
		Director, President & CEO	GrowthWorks Commercialization Fund Ltd.
		Director, President & CEO	GrowthWorks Canadian Fund Ltd.
		Director, President & CEO	Working Opportunity Fund Ltd.
		Director	Xantrex Technology Ltd.
	<p><sup>(1)</sup> Eric Kohn was appointed Chairman of the Board of Noventa on July 9, 2009.</p>		
	<p><sup>(2)</sup> David Levi was appointed Chairman of the Board on June 11, 2009.</p>		
<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</p>	<p>Independent directors are invited to hold <i>in camera</i> sessions at any time, including after Board and committee meetings. During these sessions of the independent directors, members of management and non-independent directors are not present. The Corporation believes that these <i>in camera</i> sessions contribute to the Board's independent oversight.</p>		
	<p>In 2008, the following meetings were held:</p>		
	<b>Board/Committee</b>	<b>Total No. of Meetings</b>	<b>No. of Meetings Without Non-Independent Directors</b>
	Board Meetings	5	0 <sup>(1)</sup>
	Audit and Corporate Governance Committee	4	4
	Compensation and Nominating Committee	3	3
	Executive Committee	15	0
	<p><sup>(1)</sup> Meetings of the independent members of the board of directors are routinely held within the context of scheduled regular board meetings, or as cases may arise pertaining to related party transactions.</p>		

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<p>(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</p> <p>(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>David Levi was appointment Chairman of the Board on June 11, 2009. Mr. Levi is considered an independent director.</p> <p>The following chart sets out meeting attendance record of our directors during 2008:</p> <p><b>Committees</b></p> <table border="1"> <thead> <tr> <th>Director</th> <th>Board Meetings</th> <th>Audit &amp; Corporate Governance Committee</th> <th>Compensation &amp; Nominating Committee</th> <th>Executive Committee</th> </tr> </thead> <tbody> <tr> <td>Michael C. Scholz<sup>(1)</sup></td> <td>5</td> <td></td> <td>3</td> <td>15</td> </tr> <tr> <td>Earnest C. Beaudin<sup>(2)</sup></td> <td>5</td> <td>4</td> <td></td> <td></td> </tr> <tr> <td>Eric Kohn TD</td> <td>5</td> <td>2</td> <td>3</td> <td></td> </tr> <tr> <td>Kees de Koning</td> <td>5</td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>David Levi<sup>(3)</sup></td> <td>5</td> <td>4</td> <td>3</td> <td></td> </tr> <tr> <td>Elizabeth Otis</td> <td>5</td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>Mark van Rooij</td> <td>5</td> <td></td> <td></td> <td>15</td> </tr> </tbody> </table> <p><sup>(1)</sup> Michael C. Scholz resigned from the Board on June 11, 2009.  <sup>(2)</sup> Earnest C. Beaudin resigned from the Board on June 11, 2009  <sup>(3)</sup> David Levi was appointed as Chairman of the Board on June 11, 2009.</p>	Director	Board Meetings	Audit & Corporate Governance Committee	Compensation & Nominating Committee	Executive Committee	Michael C. Scholz <sup>(1)</sup>	5		3	15	Earnest C. Beaudin <sup>(2)</sup>	5	4			Eric Kohn TD	5	2	3		Kees de Koning	5			15	David Levi <sup>(3)</sup>	5	4	3		Elizabeth Otis	5			15	Mark van Rooij	5			15
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<p><b>2. Board Mandate</b></p> <p>Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.</p>	<p>The Board's mandate includes the following:</p> <p>(a) The board of directors assumes responsibility for assessing the operation of the business and overseeing management. The board acts in accordance with the Canada Business Corporations Act, the Corporation's articles of incorporation and by-laws and other applicable laws and company policies.</p> <p>(b) The board of directors considers and approves strategic initiatives formulated by management. The board of directors has adopted a mandate whereby at least one board meeting per year will be devoted to reviewing and approving the strategic plan.</p> <p>(c) The board has delegated responsibility to the Executive Committee for overseeing the management of the Corporation and meets monthly to review financial, production and strategic results. Management identifies the main risks that affect the business and mitigating actions, and the Executive Committee approves these actions. The Executive Committee is responsible for the appointment, monitoring and succession planning of the senior management team. This duty is performed on a regular basis at meetings where management is not present.</p>																																								

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<p><b>3. Position Descriptions</b></p> <p>(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p> <p>(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</p> <p><b>4. Orientation and Continuing Education</b></p> <p>(a) Briefly describe what measures the board takes to orient new directors regarding</p> <ul style="list-style-type: none"> <li>(i) the role of the board, its committees and its directors, and</li> <li>(ii) the nature and operation of the issuer's business.</li> </ul> <p>(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>(d) The board has adopted a communications policy whereby all communications with shareholders and the public in general is by way of public filings or press releases. Filings and press releases are approved by the board or by a delegated board member who is unrelated under the Guidelines.</p> <p>(e) The board delegates responsibility for ensuring appropriate internal controls and management information systems to the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee receives reports from management and from external auditors and reports its finding concerning internal controls and management information systems to the board on a quarterly basis.</p> <p>The Board has not yet developed written position descriptions for the following:</p> <ul style="list-style-type: none"> <li>Chairman of the Board</li> <li>Committee Chairs</li> </ul> <p>The roles of Chairman and Committee Chairs are generally described in the Corporation's by-laws (as filed on <a href="http://www.sedar.com">www.sedar.com</a>). The Corporation's Audit Committee Charter (attached to the Corporation's Annual Information Form dated March 31, 2009 for fiscal year ending December 31, 2008) further specifies the role of the Audit and Corporate Governance Committee.</p> <p>The Corporation has a CEO. Effective April 2, 2007, the Corporation entered into an agreement to retain Mark van Rooij as the Corporation's Chief Executive Officer. The Corporation has not developed a written position description for this position.</p> <p>The Corporation provides to all new directors, a "Directors Binder" containing company by-laws, corporate governance statement, committees and terms of references, director compensation, insider trading policy, meeting schedule, contact lists for directors and senior management, copies of the most recent annual report, proxy circular, annual information form, press releases, investment analyst reports, meeting minutes, quarterly financial statements and budgets.</p> <p>The Corporation does not maintain a continuing education program for its directors. The board is comprised of seasoned, experienced business professionals who, in most cases, possess previous experience as directors of a corporation. The Audit and Corporate Governance Committee is responsible for updating the directors on changes in corporate governance.</p>

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<p><b>5. Ethical Business Conduct</b></p> <p>(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</p> <p>(i) disclose how a person or company may obtain a copy of the code;</p> <p>(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</p> <p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p> <p>(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p> <p>(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p> <p><b>6. Nomination of Directors</b></p> <p>(a) Describe the process by which the board identifies new candidates for board nomination.</p> <p>(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.</p>	<p>The Corporation has adopted a formal Code of Business Conduct and Ethics for directors, officers and employees as contemplated by NI 58-101.</p> <p>The Corporation's Code of Business Conduct is available on the SEDAR website at <a href="http://www.sedar.com">www.sedar.com</a></p> <p>The Board monitors compliance in various ways. The Audit and Corporate Governance Committee meets regularly with management and with its auditors to, <i>inter alia</i>, review compliance issues, including compliance with the Corporation's policies and procedures. The Audit and Corporate Governance Committee's mandate includes ensuring compliance by the Corporation's directors, officers, employees, agents and representatives with internal policies and procedures.</p> <p>The Corporation has not filed any material change report that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p> <p>In the ordinary course of business, the Corporation enters into transactions with which the director may have a relationship. If any such transactions are brought before the Board for discussion or approval, the director declares a conflict of interest and withdraws from any discussion or vote on the transaction.</p> <p>The Corporation's Audit and Corporate Governance Committee also monitors compliance with the internal policies and procedures of the Corporation.</p> <p>The Corporation regularly prepares training modules for employees, officers and directors in respect of compliance with the Corporation's policies and procedures. The Corporation also has an anonymous employee complaint system in place to detect, forestall the continuation of, and prevent any violations of the Corporation's internal policies and procedures.</p> <p>The Compensation and Nominating Committee consists entirely of independent directors under the Guidelines and 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 Corporation. The Compensation and Nominating Committee meets as required to review and make recommendations to the board of directors to all direct and indirect compensation, benefits and perquisites for senior management and directors of the Corporation.</p> <p>Directors are elected by the shareholders at each annual meeting to serve for a term expiring on the date of the following annual meeting.</p> <p>The Board has a Compensation and Nominating Committee composed entirely of independent directors. The Committee Chair is an independent director.</p> <p>The Board encourages an objective nominating process for new directors by open discussion at meetings.</p>

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(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The Compensation and Nominating Committee consists entirely of independent directors and 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 Corporation. The Compensation and Nominating Committee meets as required to review and make recommendations to the board of directors to all direct and indirect compensation, benefits and perquisites for senior management and directors of the Corporation.
<b>7. Compensation</b>	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	The board reviews directors' compensation annually and considers the current compensation to be appropriate for the responsibilities and risks assumed by the directors. The board approved a change in compensation for directors by an increase in directors' fees and a grant of options or warrants on October 1, 2006.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	The Board has a Compensation and Nominating Committee that is composed entirely of independent directors.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	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 Corporation. 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 Corporation.  Effective April 1, 2008, the board approved increases in compensation to the President, Vice President, Finance & Corporate Secretary, Vice President, Operations and Vice President, Organization Development.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	No compensation consultant or advisor has been retained to assist in determining compensation for directors or officers in 2008.

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<p><b>8. Other Board Committees</b></p> <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p> <p><b>9. Assessments</b></p> <p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>In addition to the Audit and Corporate Governance Committee and the Compensation and Nominating Committee, the Corporation also has an Executive Committee.</p> <p>The function of the Executive Committee is to meet 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.</p> <p>The board has delegated ongoing assessment of the board, its committees and individual directors to the Executive Committee, which reports its findings to the board of directors. No formal annual assessment is presently conducted.</p>