

# **PICORP. CAPITAL LTD.**

**FORMERLY**

## **PHOENIX INTERNATIONAL, INC.**

**ANNUAL GENERAL AND SPECIAL MEETING  
OF SHAREHOLDERS**

**TO BE HELD ON MONDAY, MAY 31, 2004**

### **NOTICE OF MEETING AND MANAGEMENT PROXY AND INFORMATION CIRCULAR**

*THIS NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF PICORP. CAPITAL LTD. FORMERLY, PHOENIX INTERNATIONAL, INC., OF PROXIES TO BE VOTED AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF PICORP. CAPITAL LTD., FORMERLY PHOENIX INTERNATIONAL, INC., TO BE HELD ON MONDAY, MAY 31, 2004.*

**TO BE HELD AT:  
Borden Ladner Gervais LLP  
1000 Canterra Tower  
400 Third Avenue S.W.  
Calgary, Alberta  
T2P 4H2**

**At 9:00 a.m.**

**Dated: May 3, 2004**

**PICORP. CAPITAL LTD.**

**FORMERLY  
PHOENIX INTERNATIONAL, INC.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TAKE NOTICE** that the Annual General and Special Meeting (the “**Meeting**”) of holders of Common Shares of PICorp. Capital Ltd., formerly Phoenix International, Inc., (the “**Corporation**”) will be held at the offices of Borden Ladner Gervais LLP, 1000 Canterra, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2 on Monday, May 31, 2004, at 9:00 a.m. (Calgary time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the financial year ended December 31, 2003 and the report of the auditor thereon;
2. to fix the number of directors of the Corporation to be elected at the Meeting at six (6);
3. to elect the board of directors of the Corporation for the ensuing year;
4. to appoint the auditor of the Corporation for the ensuing year and to authorize the board of directors to fix the auditor’s remuneration;
5. to approve and adopt with or without consideration, an ordinary resolution adopting a stock option plan for the Corporation;
6. to approve and adopt, with or without modification, a resolution of the shareholders of the Corporation authorizing the board of directors to amend the Corporation’s Articles to effect the change of the name of the Corporation in the event that the board of directors may deem necessary and in the best interest of the Corporation, to such other name as the board of directors, in its discretion, may resolve;
7. to approve and adopt, with or without modification, a special resolution of the shareholders of the Corporation authorizing the board of directors to apply for the continuance of the Corporation under the *Business Corporations Act* (Ontario) (the “**OBCA**”). Pursuant to section 191 of the *Business Corporation Act* (Alberta), Shareholders have a right of dissent and the right to be paid the fair value of their shares if they properly exercise such right of dissent;
8. to approve and adopt the special resolution, as more particularly set forth in the accompanying management information circular prepared for the purpose of the Meeting, relating to empowering the directors of the Corporation to determine, from time to time, by resolution of the directors, the number of directors of the Corporation;
9. to consider and, if thought appropriate, to pass, with or without modification, a special resolution to approve the consolidation of the Common Shares on the basis of every three Common Shares being exchanged for one Common Share (the “**Consolidation**”); and
10. to transact such other business as may be properly brought before the meeting or any adjournment thereof.

**DATED** this 3<sup>rd</sup> day of May, 2004.

**BY ORDER OF THE BOARD OF DIRECTORS**

*“Michael R. Rempel”* (signed)

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**Michael R. Rempel**  
**President, Chief Executive Officer and Director**

Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed form of Instrument of Proxy and return it in the envelope provided for that purpose.

## IMPORTANT

It is desirable that as many Common Shares as possible be represented at the Meeting. If you do not expect to attend and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible. To be valid, all proxies must be deposited at the offices of Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, not later than the close of business at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

Holders of Common Shares on record at the close of business on April 19, 2004 (the “**Record Date**”) are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share, except to the extent that the holder transfers his or her shares after the close of business on the Record Date and, in such event, the transferee of such shares shall be entitled to vote the transferred shares at the Meeting provided that he or she produces properly endorsed share certificates representing the transferred shares to the Secretary or transfer agent of the Corporation or otherwise establishes his or her ownership of the transferred shares at least ten (10) days prior to the Meeting.

**PICORP. CAPITAL LTD.  
FORMERLY**

**PHOENIX INTERNATIONAL, INC.**

**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**MANAGEMENT INFORMATION CIRCULAR**

**PURPOSE OF SOLICITATION**

**This management information circular (the “Management Information Circular”) is provided in connection with the solicitation by management of PICorp. Capital Ltd., formerly Phoenix International, Inc. (the “Corporation”) of proxies, from the holders of common shares (“Common Shares”) in the capital of the Corporation in respect of the annual general and special meeting of shareholders of the Corporation (the “Meeting”) to be held on May 31, 2004, at 9:00 a.m. (Calgary time) at 1000 Canterra Tower, 400 – 3<sup>rd</sup> Avenue, S.W., Calgary, Alberta, T2P 4H2, or at any adjournment thereof for the purposes set out in the accompanying notice of meeting (“Notice of Meeting”).**

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or personal interview by regular employees of the Corporation, at a nominal cost. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs of any such solicitation will be borne by the Corporation.

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed instrument of proxy, Michael R. Rempel, Chief Executive Officer, President and a director of the Corporation, and Trevor P. Wong-Chor, Corporate Counsel of the Corporation, (the “**Management Designees**”), have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (who need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the instrument of proxy the name of the person to be designated and deleting therefrom the names of the Management Designees, or by completing another proper instrument of proxy. Such shareholder should notify the nominee of the appointment, obtain his or her consent to act as proxy and should provide instructions on how the shareholder’s shares are to be voted. In any case, the instrument of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached where an attorney has executed the instrument of proxy.

An instrument of proxy will not be valid for the Meeting or any adjournment thereof unless it is signed by the shareholder or by his or her attorney authorized in writing or, if the shareholder is a corporation, it must be signed under its corporate seal and executed by a duly authorized officer or attorney of the Corporation, and delivered to Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it, any time before it is exercised, by instrument in writing executed by the shareholder or by his or her attorney authorized in writing, or, if the shareholder is a corporation, under its corporate seal executed by a duly authorized officer or attorney of the Corporation, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or by depositing the proxy with Computershare Trust Company of Canada at least 48 hours, excluding Saturday, Sunday and holidays, before the time of the Meeting or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

### **ADVICE TO BENEFICIAL SHAREHOLDERS**

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name.** Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the shareholder’s name. Such Common Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications (“**ADP**”) in Canada. ADP typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to ADP, or otherwise communicate voting instructions to ADP (by way of the Internet or telephone, for example). ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives an ADP voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to ADP (or instructions respecting the voting of Common Shares must otherwise be communicated to ADP) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder**

**for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

### **VOTING OF PROXIES**

All Common Shares represented at the Meeting by a properly executed instrument of proxy will be voted (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification, the Management Designees, if named as proxy, will vote in favour of the matters set out therein.**

**The enclosed instrument of proxy confers discretionary authority upon the Management Designees, or other person named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Corporation is not aware of any amendments to, variations of or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the Management Designees intend to vote in accordance with the judgment of the management of the Corporation.**

### **QUORUM**

The By-laws of the Corporation provide that a quorum of shareholders exists if at least two persons are present in person or by proxy, each of whom is entitled to vote at the meeting and who hold or represent by proxy in the aggregate not less than 5% of the shares entitled to be voted at the meeting.

### **EFFECTIVE DATE**

Unless otherwise specified, the information provided herein is as of May 3, 2004 (the "Effective Date").

### **VOTING SHARES OF THE CORPORATION**

**The Corporation has authorized capital consisting of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, without nominal or par value. As at the Effective Date, there are 3,003,333 Common Shares issued and outstanding and there are no preferred shares issued and outstanding.**

Holders of Common Shares on record at the close of business on April 19, 2004 (the "Record Date") are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share, except to the extent that the holder transfers his or her shares after the close of business on the Record Date and, in such event, the transferee of such shares shall be entitled to vote the transferred shares at the Meeting provided that he or she produces properly endorsed share certificates representing the transferred shares to the Secretary or transfer agent of the Corporation or otherwise establishes his or her ownership of the transferred shares at least ten (10) days prior to the Meeting.

To the knowledge of the directors and Executive Officers (as hereinafter defined in "Compensation of Executive Directors") of the Corporation, as at the Effective Date, no person, firm or corporation beneficially owned, directly or indirectly, or exercised control or direction over voting securities carrying more than 10%

of the voting rights attached to any class of voting securities of the Corporation, except for as indicated below:

<u>Name and Municipality of Residence</u>	<u>Number of Common Shares</u>	<u>Percentage of Shares Owned</u>
Michael R. Rempel Calgary, Alberta	600,000 <sup>(1)</sup>	19.78%

**Note:**

- (1) These Common Shares are owned and controlled by Michael R. Rempel. It is anticipated that in conjunction with the Transaction (as defined herein), 450,000 of the 600,000 Common Shares will be transferred to officers and employees of Aeroquest Limited.

## **EXECUTIVE COMPENSATION**

### **Compensation of Directors**

Since incorporation, the Corporation paid no cash compensation (including salaries, director's fees, commissions, bonuses paid for services rendered, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned by the directors for services rendered) to the directors for services rendered in their capacity as directors other than reimbursement of reasonable expenses.

Executive officers of the Corporation who also act as directors of the Corporation do not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such executive officers in their capacity as executive officers. See "Compensation of Executive Officers".

### **Compensation of Executive Officers**

During the most recently completed year ended December 31, 2003, the Corporation had two executive officers, who continue to hold such offices and who are also directors. "Executive officer" means the chairman and any vice-chairman of the board of directors, president or any vice-president and any officer of the Corporation or its subsidiary who performs a policy making function in respect of the Corporation. The aggregate cash compensation, including salaries, fees (including director's fees), commissions, bonuses paid for services rendered, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned, paid to such Executive Officers, by the Corporation and its subsidiaries for services rendered since incorporation was nil.

Michael R. Rempel, an officer and director of the Corporation is a partner at the law firm Borden Ladner Gervais LLP. In the year ended December 31, 2003 legal fees were paid to Borden Ladner Gervais LLP in the amount of \$12,433.

### **Summary Compensation Table**

The following table sets forth all annual and long term compensation for services in all capacities to the Corporation and its subsidiaries since incorporation in respect of individual(s) who were acting in a capacity similar to a chief executive officer and the four most highly compensated Executive Officers, who earn in excess of \$100,000 per annum (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE								
Name and Principal Position	Period Ended	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARS <sup>(1)</sup> Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP <sup>(2)</sup> Payouts (\$)	
Michael R. Rempel Chief Executive Officer and President	December 31, 2002	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	December 31, 2003	Nil	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) "SARS" or "Stock appreciation right" means a right granted by the Corporation as compensation for services rendered, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities of the Corporation.
- (2) "LTIP" or "long term incentive plan" means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include option or stock appreciation right plans or plans for compensation through restricted shares or restricted share units.

**Stock Options**

The following table sets forth stock options granted since incorporation to the Named Executive Officers (no stock options have been repriced since incorporation).

Name of Optionee	Number of Common Shares Reserved Under Option	% of Total Options Granted in Period	Exercise Price Per Common Share	Market Price as at Date of Grant <sup>(1)(2)</sup>	Expiry Date
Michael R. Rempel	33,333	11.11%	\$0.20	N/A	November 4, 2007

**Notes:**

- (1) These stock options were granted on November 4, 2002, which was prior to the commencement of trading of the Common Shares on the Exchange on November 15, 2002.
- (2) On January 23, 2004, the last day of trading prior to the Effective Date, the closing price of the Common Shares on the Exchange was \$0.20.

The following table sets forth details of the value of unexercised options on an aggregated basis held by the Named Executive Officers as of the Effective Date.

Name	Number of Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options at the Effective Date (#) Exercisable/Unexercisable	Aggregate Value of Unexercised In-the-Money Options at the Effective Date <sup>(1)(2)</sup> Exercisable/Unexercisable
Michael R. Rempel	Nil	Nil	33,333/0	\$Nil/0

**Notes:**

- (1) Aggregate value of unexercised in-the-money options is calculated using the closing price of Common Shares on the Exchange on December 24, 2003 (the last day of trading in 2003) (\$0.20), less the exercise price of in-the-money stock options (\$0.20), multiplied by the number of options.
- (2) These stock options were granted on November 4, 2002, which was prior to the commencement of trading of the Common Shares on the Exchange on November 15, 2002.

### **Long-Term Incentive Plans**

The Corporation has not had and does not currently have any long term incentive plans, other than stock options to be granted from time to time by the board of directors. See “Directors’ and Management Stock Options”.

### **Stock Appreciation Rights (“SAR”) and Restricted Shares**

No stock appreciation rights or restricted shares were granted by the Corporation to, or exercised by, the Named Executive Officers of the Corporation since incorporation.

### **Stock Option and SAR Repricing**

The Corporation did not make any downward repricing of stock options or stock appreciation rights since incorporation.

### **Pension and Retirement Plans and Payments made upon Termination of Employment**

The Corporation does not have in place any pension or retirement plan. The Corporation has not provided compensation, monetary or otherwise, during the preceding eleven month period, to any person who now acts or has previously acted as a Named Executive Officer of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of a change of control of the Corporation, its subsidiaries or affiliates. The Corporation is not party to any compensation plan or arrangement with the Named Executive Officers resulting from the resignation, retirement or the termination of employment of such person.

### **Employment and Management Contracts**

The Corporation has no employment or management contracts with directors or the Named Executive Officers.

### **Other Compensation**

Other than as herein set forth, the Corporation did not pay any additional compensation to the Named Executive Officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed fiscal year.

## **RELATED PARTY TRANSACTIONS**

The Corporation has not been party to any related party transactions.

## **MANAGEMENT CONTRACTS**

During the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors or Executive Officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

## **INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

During the most recently completed financial year, no director, Executive Officer, senior officer, nominee for election as a director, nor any of their respective associates or affiliates, is, or has been at any time since the

beginning of the last completed financial year, indebted to the Corporation or its subsidiary nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or Executive Officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

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

Except as disclosed in "Particulars to be Acted Upon - Consolidation" or as otherwise set out herein, no director or Executive Officer of the Corporation or any proposed nominee of management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

To the knowledge of the board of directors of the Corporation, the only matters to be brought before the meeting are those matters set forth in the accompanying Notice of Meeting.

#### **1. Financial Statements**

The board of directors of the Corporation has approved all of the information in the audited financial statements of the Corporation for the year ended December 31, 2003, copies of which are delivered herewith.

#### **2. Fix Number of Directors to be Elected at the Meeting**

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected at the Meeting. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that six (6) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at six (6).**

#### **3. Election of Directors**

The Corporation currently has four directors **and three of these directors are being nominated for re-election** along with three new proposed directors. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five years, the period during which the nominee has served as a director, and the number and percentage of Common Shares of the Corporation that the nominee has advised are beneficially

owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the Effective Date.

**Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the board of directors.** Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, **proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in his form of proxy that his Common Shares are to be withheld from voting in the election of directors.** Each director elected will hold office until the next annual general meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the corporate law to which the Corporation is subject.

<u>Name and Municipality of Resident</u>	<u>Present Office</u>	<u>Principal Occupation and Positions held during the last Five Years</u>	<u>Number of Common Shares Owned, Beneficially Held or Controlled as at the Effective Date<sup>(1)</sup></u>	<u>% of Class Held of Controlled<sup>(2)</sup></u>
Michael R. Rempel <sup>(4)</sup> Calgary, Alberta	President, Secretary and Director	Partner, Borden Ladner Gervais LLP and its predecessors.	600,000 <sup>(2)</sup>	19.97%
Kenneth D, Kirkland Golden, Colorado	Chief Financial Officer and director	Mr. Kirkland has spent the last 5 years as founder, owner and President of Kirkland Corporation, a private Colorado company involved in oil and gas and property management consulting services.	100,000 <sup>(5)</sup>	3.32%
L. Lamont Gordon <sup>(4)</sup> Toronto, Ontario	Director	Mr. Gordon is presently retired but previously had a 44 year career in the Toronto, Ontario securities industry, including as Chairman of Sprott Securities Limited, whom he joined in 1987.	300,000	9.98%
Anne M. Dumyn	Proposed Director	Vice President, Aboriginal and Northern Affairs with SNC-Lavalin Inc. since September, 2000. Prior to that Ms. Dumyn was the Director of Aboriginal Banking with the Bank of Montreal.	Nil	Nil

Name and Municipality of Resident	Present Office	Principal Occupation and Positions held during the last Five Years	Number of Common Shares Owned, Beneficially Held or Controlled as at the Effective Date <sup>(1)</sup>	% of Class Held or Controlled <sup>(2)</sup>
Roland Horst	Proposed Director	On April 8, 2004, Mr. Horst was appointed CEO and a director of Aeroquest Limited, a Milton, Ontario based company flying advanced airborne electromagnetic surveys. Until June, 2004, Mr. Horst will continue to act as CEO and a director of Scintrex Limited and LaCoste & Romberg-Scintrex, Inc., positions he has held since May, 2000 and April, 2001 respectively. Both Scintrex Limited and LaCoste & Romberg-Scintrex, Inc. are geophysical instrumentation firms based in Concord, Ontario. From June 2000 to March 2001, Mr. Horst was the CEO and a director of IDS – Intelligent Detection Systems, a Toronto, Ontario based high technology company. From January, 1999 to May 2000, Mr. Horst was also a consultant with Geographe International, a Vancouver, B.C. based mining mergers and acquisition advisory firm.	Nil	Nil
Stephen J. Balch	Proposed Director	Mr. Balch was appointed as President and director of Aeroquest Limited on January 21, 2004. Since September 2001, he has also acted as President of Balch Exploration Consulting Inc. Prior to that, Mr. Balch was Director, Business Development with Scintrex Limited and a Senior Geophysicist with Inco Limited.	Nil	Nil

**Notes:**

- (1) Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the Effective Date, based upon information furnished to the Corporation by individual directors.
- (2) Percentage of class based on 3,003,333 Common Shares outstanding as at the Effective Date.
- (3) These Common Shares are owned and controlled by Michael R. Rempel. It is anticipated that in conjunction with the Transaction (as defined herein), 450,000 of the 600,000 Common Shares will be transferred to officers and employees of Aeroquest Limited.
- (4) Members of the Audit Committee.
- (5) It is anticipated that in conjunction with the Transaction (as defined herein), 70,000 of the 100,000 Common Shares will be transferred to officers and employees of Aeroquest Limited.

**4. Appointment of Auditor**

The shareholders of the Corporation will be asked to vote for the appointment of Morgan & Company, Chartered Accountants, as auditor of the Corporation. **Unless such authority is withheld, the Management Designees, if named as proxy, intend to vote the Common Shares represented by any such proxy in favour of a resolution appointing of Morgan & Company, Chartered Accountants, as auditor for the Corporation for the next ensuing year**, to hold office until the close of the next annual general meeting of shareholders or until the firm of Morgan & Company Chartered Accountants is removed from office or resigns as provided law by the Corporation's By-laws, and authorizing the board of directors to fix the compensation of the auditors. Morgan & Company, Chartered Accountants has been the auditor of the Corporation since May 12, 2003

## 5. Approval and Adoption of Stock Option Plan

Shareholders will also be asked to approve the adoption of a new stock option plan (the “**Plan**”), a full text of which is attached to this Management Information Circular as Exhibit “A”. The purpose of the Plan is to offer to directors, officers, employees and consultants of the Corporation and its affiliates the opportunity to acquire a proprietary interest in the Corporation, thereby providing an incentive to such parties to promote the best interests of the Corporation and to provide the means to the Corporation to attract qualified persons.

The Plan is administered by the directors of the Corporation. The Plan provides that options will be issued pursuant to option agreements (“**Option Agreements**”) which shall provide for the expiration of such options on a date not later than five (5) years after the issuance of such option. A maximum number of Common Shares equal to 10% of the issued and outstanding Common Shares, from time to time, may be reserved for issue under the Plan provided that options may not be granted to an individual to purchase in excess of 5% of the then outstanding Common Shares. Options issued pursuant to the Plan will have an exercise price determined by the directors of the Corporation provided that the exercise price shall not be less than the price permitted by the Exchange.

There are certain restrictions in the Plan with respect to grants of options to certain persons. Options granted under the Plan are non-transferable and expire the earlier of 5 years from the date of grant or 90 days from the date the optionee ceases to be an officer, director, employee or consultant of the Corporation. In the event of death of an optionee, or disability or illness preventing the optionee from performing the duties routinely performed by them, options held by such optionee will expire the earlier of 5 years from the date of grant or 90 days from the date of ceasing to be an officer, director, employee or consultant of the Corporation due to disability or death. In the event that an optionee is dismissed as an officer, director, employee or consultant by the Corporation for cause, all unexercised option rights of that individual under the Plan shall immediately terminate and lapse notwithstanding the original term of the option granted to such individual under the Plan.

All of the Corporation’s previously issued and outstanding stock options will be deemed to be continued under the Plan.

The shareholders of the Corporation will be asked to consider and if thought fit, approve an ordinary resolution authorizing the Plan. **In the absence of contrary directions, the Management Designees intend to vote proxies in the accompanying form in favour of this ordinary resolution.**

The text of the ordinary resolution which management intends to place before the Meeting for the approval, adoption and ratification of the Plan is as follows:

**“BE IT HEREBY RESOLVED as an ordinary resolution of the Corporation that:**

- 1. the stock option plan (the “Plan”) of the Corporation substantially in the form attached as Exhibit “A” to the Management Information Circular of the Corporation prepared for the purpose of the Meeting be and is hereby approved and adopted as the stock option plan of the Corporation;**
- 2. the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;**
- 3. all issued and outstanding stock options previously granted are continued under the Plan and are hereby ratified, confirmed and approved;**

4. **the shareholders of the Corporation hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and**
5. **any one or more director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”**

**6. Change of Name**

To facilitate the Transaction (as defined hereinafter defined) or any such other Qualifying Transaction that may be completed by the Corporation, Shareholders of the Corporation will be asked to consider and, if thought appropriate, approve and adopt a special resolution authorizing the board of directors, in its sole discretion, to amend the Articles of the Corporation to effect the change of the name of the Corporation in the event that the board of directors may deem necessary and in the best interest of the Corporation, to such other name as the board of directors, in its discretion, may resolve, the regulatory authority under the applicable corporate statute may permit and the TSX Venture Exchange may approve. The board of directors may, in its sole discretion, decide not to act on this resolution without further approval from the shareholders of the Corporation. In the absence of contrary directions, the Management Designees intend to vote proxies in the accompanying form in favour of this special resolution.

The complete text of the special resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

**“BE IT HEREBY RESOLVED as a special resolution of the Corporation that:**

1. **the board of directors be and is hereby authorized to amend the Articles of the Corporation to effect the change of the name of the Corporation in the event that the board of directors may deem necessary and is in the best interest of the Corporation, to such other name as the board of directors, in its discretion, may resolve, and the TSX Venture Exchange may approve; and**
2. **the board of directors may, in its sole discretion, decide not to act on this resolution without further approval from the shareholders of the Corporation.”**

**This special resolution may not be acted upon at the sole discretion of the board of directors. In order to be effective, a special resolution requires approval by a two-thirds (2/3) of the votes cast by shareholders who vote in respect of the resolution.**

**Background to Matters 7, 8 and 9 below: Proposed Qualifying Transaction with Aeroquest Limited.**

The following matters to be acted upon, being the continuance to the Province of Ontario, the empowerment of the directors to change the number of directors and the consolidation of the Common Shares are all dependent upon the completion of a transaction whereby the Corporation will acquire all of the issued and outstanding securities of Aeroquest Limited (the “**Transaction**”). Pursuant to the Transaction holders of common shares of Aeroquest (“**Aeroquest Shares**”) will receive one post-consolidation Common Share for every one Aeroquest Share they own such that Aeroquest Limited will become a solely owned subsidiary of the Corporation. It is anticipated that 13,173,611 post-consolidation Common Shares will be issued to

holders of Aeroquest Shares pursuant to the Transaction. The Transaction will constitute the Corporation's "Qualifying Transaction" as defined in Policy 2.4 of the TSX Venture Exchange.

Aeroquest Limited is a private Milton, Ontario company that provides airborne geophysical services to mining, oil and gas, environmental, and geologic engineering industries as well as government agencies worldwide. Aeroquest has an experienced management and technical team with particular expertise in the electromagnetic survey market. Founded in 1988 by Wally Boyko, a geologist and +35 year veteran of integrated geological and geographical exploration, Aeroquest Limited has developed the AeroTEM System, a new and innovative approach to exploring for base metal and other deposits. This time domain electromagnetic surveying system was improved substantially in 2001. In 2002, Aeroquest Limited introduced the AeroTEM-II system with both off-time and on-time response. This new system has already flown over 60,000 line kilometers and contributed to significant discoveries in six of its last nine surveys, including nickel sulphide deposits, kimberlites (diamond host rock) and copper-gold mineralization.

Aeroquest Limited is well funded, having raised \$2.25 million via a convertible debenture offering in early 2004 (which debentures will be converted to shares of the Corporation upon completion of the Transaction). Following completion of the Transaction, the Corporation intends to raise an additional \$4,000,000 of equity. Funds from both these financings will be used to build advanced AeroTEM systems, acquire strategic geographical airborne technology opportunities, and for general working capital.

It is anticipated that in conjunction with completion of the transaction, Messrs. Rempel and Kirkland will resign their positions on the board of directors and their positions as officers and new directors and officers may be appointed at that time. Proposed directors of the Corporation, Ms. Dumyn, Mr. Horst and Mr. Balch are not arm's length with respect to the Transaction as they are directors and officers of Aeroquest Limited. It is anticipated that upon completion of the Transaction the Corporation's auditors, Morgan and Company, will resign and be replaced by BDO Dunwoody, Chartered Accountants, the current auditors of Aeroquest Limited.

Upon completion of the Transaction a change of control will occur with respect to the Corporation as the number of issued and outstanding Common Shares (on a post consolidated basis) will be 14,174,722 and the it is anticipated that the following parties will have control over greater than 20% of the Common Shares:

<u>Name</u>	<u>Number of Common Shares</u>	<u>Percentage of Common Shares Owned (Post-Transaction)</u>
Wally Boyko	4,020,014	28.36%%
Steve Balch	2,950,430	20.82%2

The Corporation has signed a letter of intent with Aeroquest Limited dated March 15, 2004 and it is anticipated the Transaction will be completed as soon as possible after the Meeting.

## **7. Continuance to the Province of Ontario**

The shareholders of the Corporation be asked to consider, and if thought appropriate, approve a special resolution authorizing the board of directors, in its sole discretion, to apply for continuance under the provisions of the OBCA (the "**Continuance**"). Management and the board of directors of the Corporation are of the view that the Continuance is in the best interests of the Corporation, and will align the Corporation with Aeroquest Limited, which is an OBCA company Aeroquest Limited is anticipated to become a wholly owned subsidiary of the Corporation upon completion of the Transaction. **In the absence of contrary directions, the Management Designees of the Corporation intend to vote proxies in the accompanying form in favour of this special resolution.**

The complete text of the special resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

**"BE IT RESOLVED as a special resolution of the Corporation that:**

- 1. the board of directors be and is hereby authorized to make application for continuance of the Corporation ("the Corporation") under the *Business Corporations Act* (Ontario); and**
- 2. the board of directors, in its sole discretion may act upon this resolution to make application for continuance or, if deemed appropriate, may choose not to act on this resolution."**

**This special resolution may not be acted upon if the Transaction is not completed. In order to be effective, a special resolution requires approval by two-thirds (2/3) of the votes cast by shareholders who vote in respect of the resolution.**

#### **Rights of Dissenting Shareholders**

Pursuant to Section 191 of the ABCA, a registered holder of the Common Shares has the right to dissent to the Continuance and receive the fair market value of his or her shares from the Corporation. **Any registered shareholder who wishes to exercise his or her right of dissent and appraisal should seek his or her own legal advice, as failure to comply strictly with the provisions of Section 191 of the ABCA may prejudice his or her right of dissent.**

**In order to dissent, a written objection to the special resolution must be received by the Corporation c/o Borden Ladner Gervias LLP, at 1000 Canterra Tower, 400 Third Avenue SW, Calgary, AB, T2P 4H2 or by the Chairman of the Meeting at or before the Meeting.** A vote against the special resolution, an abstention or the execution of the proxy to vote against the special resolution does not constitute such written objection. **Only registered shareholders may exercise a right of dissent. Beneficial shareholders wishing to dissent may only do so through the registered shareholder**

The above summary is not a comprehensive statement of the procedures to be followed by a dissenting shareholder of the Corporation who seeks payment of the fair value of his or her the Common Shares. Section 191 of the ABCA requires strict adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder.

#### **8. Special Resolution to Empower the Directors to Fix the Number of Directors**

Pursuant to section 125(3) of the OBCA, where a minimum and maximum number of directors of a corporation is provided for in its articles, the number of directors of the corporation and the number of directors to be elected at the annual meeting of shareholders of the corporation may be determined by a resolution of the directors of the corporation if a special resolution of the shareholders of the corporation empowers the directors to determine such number. Currently, the Articles of the Corporation provide that the minimum number of directors shall be three (3) and the maximum number of directors shall be eleven (11).

At the Meeting, the shareholders of the Corporation will be asked to approve and adopt a special resolution empowering the directors to determine, from time to time, by resolution of the directors, the number of directors of the Corporation.

The text of the special resolution to be considered at the Meeting, with respect to empowering the directors of the Corporation to determine the number of directors of the Corporation, will substantially be as follows:

**“BE IT RESOLVED as a special resolution of the Corporation that:**

- 1. the directors are empowered to determine, from time to time, by resolution of the directors, the number of directors of the Corporation and the number of directors to be elected at the annual meeting of the shareholders; and**
- 2. any one director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this special resolution.”**

**Unless otherwise indicated, it is management’s intention to vote the proxies in favour of the special resolution empowering the directors to fix the number of directors of the Corporation. In order to be effective, a special resolution requires approval by two-thirds (2/3) of the votes cast by shareholders who vote in respect of the resolution.**

**9. Consolidation of Common Shares**

As at May 3, 2004 the Corporation had 3,003,333 Common Shares issued and outstanding. To reduce the issued and outstanding capital of the Corporation to accommodate the Transaction, the Corporation proposes that, subject to obtaining all required regulatory and shareholder approvals, the Corporation’s issued and outstanding share capital be consolidated on the basis of one Common Share for every three Common Shares currently issued. The number of Common Shares issued and outstanding after giving effect to the Consolidation will be 1,001,111 Common Shares.

No fractional shares will be issued as a result of the Consolidation, and any fraction will be rounded down to the nearest whole number.

The following is the text of the special resolution which will be put forward at the Meeting:

**“BE IT RESOLVED, as a special resolution of the Corporation that:**

- 1. the articles of the Corporation be amended to provide that:**
  - (a) the authorized capital of the Corporation is altered by consolidating all of the issued and outstanding common shares of the Corporation on the basis of one new Common Share for every three Common Shares; and**
  - (b) any fractional Common Share arising on the Consolidation Corporation be deemed to have been tendered by its registered owner to the Corporation for cancellation and will be returned to the authorized but unissued capital of the Corporation;**
- 2. the board of directors may, in its sole discretion, decide not to act on this resolution without further approval from the shareholders of the Corporation; and**
- 3. upon the articles of amendment becoming effective, the articles of the Corporation shall be amended accordingly.”**

**This special resolution may not be voted upon if the Transaction is not completed. In order to be effective, a special resolution requires approval by two-thirds (2/3) of the votes cast by Shareholders who vote in respect of the resolution.**

#### **OTHER BUSINESS**

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

#### **GENERAL**

**Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein.** All special resolutions to be brought before the Meeting require, for the passing of the same, a two-thirds majority of the votes cast at the Meeting by the holders of Common Shares. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares. All approvals by disinterested shareholders require the approval of the shareholders not affected by, or interested in, the matter to be approved.

#### **BOARD APPROVAL**

The contents and the sending of this Management Information Circular have been approved by the board of directors of the Corporation.

**CERTIFICATE**

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

**DATED** this 3<sup>rd</sup> day of May, 2004.

*“Michael R. Rempel”* (signed)

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**Michael R. Rempel**  
**President, Chief Executive Officer and Director**

*“Kenneth D. Kirkland”* (signed)

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**Kenneth D. Kirkland**  
**Chief Financial Officer**

## EXHIBIT "A"

### 2004 STOCK OPTION PLAN

#### 1. Purpose

The purpose of the Stock Option Plan (the "**Plan**") of **PICORP. CAPITAL LTD.**, a corporation continued under the *Business Corporations Act* (Alberta) (the "**Corporation**") is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the "**Shares**"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

#### 2. Administration

The Plan shall be administered by the board of directors of the Corporation or by a special committee of the directors appointed from time to time by the board of directors of the Corporation pursuant to rules of procedure fixed by the board of directors (such committee or, if no such committee is appointed, the board of directors of the Corporation, is hereinafter referred to as the "**Board**"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

#### 3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the common shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "**Exchange**").

#### 4. Shares Subject to Plan

Subject to adjustment as provided in Section 15 hereof, the Shares to be offered under the Plan shall consist of common shares of the Corporation's authorized but unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

## **5. Maintenance of Sufficient Capital**

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

## **6. Eligibility and Participation**

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries (“**Management Company Employees**”) shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as “**Participants**”). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

## **7. Exercise Price**

- (a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may be reduced upon receipt of Board approval, provided that in the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

## **8. Number of Optioned Shares**

- (a) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.
- (b) No single Participant may be granted options to purchase a number of Shares equaling more than 5% of the issued common shares of the Corporation in any twelve-month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.

- (c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries).
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to persons employed to provide investor relation activities. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than  $\frac{1}{4}$  of the options vesting in any 3 month period.

#### **9. Duration of Option**

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange (“**TSX-V**”), the maximum term may not exceed 10 years if the Corporation is classified as a “Tier 1” issuer by the TSX-V, and the maximum term may not exceed 5 years if the Corporation is classified as a “Tier 2” issuer by the TSX-V.

#### **10. Option Period, Consideration and Payment**

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 11 and 12 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.

Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

- (b) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (c) Except as set forth in Sections 11 and 12, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.
- (d) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any common shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

#### **11. Ceasing To Be a Director, Officer, Consultant or Employee**

If a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

#### **12. Death of Participant**

Notwithstanding section 11, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) By the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) If and to the extent that such Participant was entitled to exercise the Option at the date of his death.

#### **13. Rights of Optionee**

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

#### **14. Proceeds from Sale of Shares**

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

#### **15. Adjustments**

If the outstanding common shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation or another corporation or entity through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, any adjustments relating to the Shares optioned or issued on exercise of options and the exercise price per Share as set forth in the respective stock option agreements shall be made in accordance to the terms of such agreements.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

**16. Transferability**

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

**17. Amendment and Termination of Plan**

Subject to applicable approval of the Exchange, the Board may, at any time, suspend or terminate the Plan. Subject to applicable approval of the Exchange, the Board may also at any time amend or revise the terms of the Plan; provided that no such amendment or revision shall result in a material adverse change to the terms of any options theretofore granted under the Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

**18. Necessary Approvals**

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

**19. Effective Date of Plan**

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

**20. Interpretation**

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.

MADE by the board of directors of the Corporation as evidenced by the signature of the following director duly authorized in that behalf effective the \_\_\_\_\_ day of \_\_\_\_\_, 2004, and approved by the shareholders of the Corporation on the \_\_\_\_\_ day of \_\_\_\_\_, 2004.

**PICORP. CAPITAL LTD.**

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**Michael R. Rempel, President**