

AEROQUEST INTERNATIONAL LIMITED

**845 Main St. East, Unit 4
Milton, Ontario
L9T 3Z3**

MANAGEMENT INFORMATION CIRCULAR

GENERAL PROXY INFORMATION

Solicitation of Proxies

This management information circular (this “**Management Information Circular**”) is furnished in connection with the solicitation of proxies by the management and the directors of **AEROQUEST INTERNATIONAL LIMITED** (the “**Corporation**”) for use at the annual and special meeting of the shareholders of the Corporation (the “**Meeting**”) to be held at the offices of Minden Gross Grafstein & Greenstein, 6th Floor, 111 Richmond Street W., Toronto, Ontario at 11 AM. (Toronto time), on Thursday, September 14, 2006 and at all adjournments thereof for the purposes set forth in the accompanying notice of the Meeting (the “**Notice of Meeting**”). The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Corporation. Directors, officers and employees of the Corporation will not receive any extra compensation for such activities. The Corporation may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Corporation in favour of the matters set forth in the Notice of Meeting. The Corporation may pay brokers or other persons holding common shares of the Corporation (“**Common Shares**”) in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and this Management Information Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of the solicitation will be borne by the Corporation.

The Corporation has distributed copies of the Notice of Meeting, this Management Information Circular and a form of proxy to intermediaries such as clearing agencies, securities dealers, banks and trust companies or their nominees for distribution to non-registered shareholders of the Corporation whose Common Shares are held by or in custody of such intermediaries. Intermediaries are required to forward these documents to non-registered shareholders of the Corporation. The solicitation of proxies from non-registered shareholders of the Corporation will be carried out by intermediaries or by the Corporation if the names and addresses of non-registered shareholders of the Corporation are provided by the intermediaries. The cost of the solicitation will be borne by the Corporation. Non-registered shareholders of the Corporation who wish to file proxies should follow the instructions of their intermediary with respect to the procedure to be followed. Generally, non-registered shareholders of the Corporation will either: (a) be provided with a proxy executed by the intermediary, as the registered shareholder of the Corporation, but otherwise uncompleted and the non-registered shareholder of the Corporation may complete the proxy and return it to Computershare Trust Company of Canada; or (b) be provided with a request for voting instructions by the intermediary, as the registered shareholder of the Corporation, in which case the intermediary must send to Computershare Trust Company of Canada, an executed proxy completed in accordance with any voting instructions received from the non-registered shareholder of the Corporation and may not vote in the event that no instructions are received.

No person is authorized to give any information or to make any representation other than those contained in this Management Information Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Corporation. The delivery of this Management Information Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date of this Management Information Circular.

Appointment and Revocation of Proxies

The persons named in the form of proxy accompanying this Management Information Circular are directors and/or officers of the Corporation. A shareholder of the Corporation has the right to appoint a person (who need not be a shareholder), other than the persons whose names appear in such form of proxy, to attend and act for and on behalf of such shareholder at the Meeting and at any adjournment thereof. Such right may be exercised by either striking out the names of the persons specified in the form of proxy and inserting the name of the person to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to Computershare Trust Company of Canada, in time for use at the

Meeting in the manner specified in the Notice of Meeting.

A shareholder of the Corporation who has given a proxy may revoke the proxy at any time prior to use by: (a) depositing an instrument in writing, including another completed form of proxy, executed by such shareholder or by his or her attorney authorized in writing or by electronic signature or, if the shareholder is a corporation, by an officer or attorney thereof properly authorized, either (i) at the principal office of the Corporation, 845 Main St. East, Unit 4, Milton Ontario, L9T 3Z3 at any time prior to 5:00 p.m. (Toronto time) on the last business day preceding the day of the Meeting or any adjournment thereof, (ii) with Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, at any time prior to 5:00 pm. (Toronto time) on the last business day preceding the day of the Meeting or any adjournment thereof, or (iii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; (b) transmitting, by telephone or electronic means, a revocation that complies with paragraph (i), (ii) or (iii) above and that is signed by electronic signature, provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of his or her attorney, as the case may be; or (c) in any other manner permitted by law including attending the Meeting in person.

Exercise of Discretion by Proxies

The Common Shares represented by an appropriate form of proxy will be voted on any ballot that may be conducted at the Meeting, or at any adjournment thereof, in accordance with the instructions thereon. **In the absence of instructions, such Common Shares will be voted for each of the matters referred to in the Notice of Meeting.**

The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters identified in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment thereof. At the date hereof, management of the Corporation knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Corporation should properly be brought before the Meeting, or any adjournment thereof, the Common Shares represented by such proxy will be voted on such matters in accordance with the judgment of the person named as proxy therein.

Signing of Proxy

The form of proxy must be signed by the shareholder of the Corporation or the duly appointed attorney of the shareholder of the Corporation authorized in writing or, if the shareholder of the Corporation is a corporation, by a duly authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the shareholder of the Corporation or in some other representative capacity, including an officer of a corporation which is a shareholder of the Corporation, should indicate the capacity in which such person is signing and should be accompanied by the appropriate instrument evidencing the qualification and authority to act of such person, unless such instrument has previously been filed with the Corporation. A shareholder of the Corporation or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of his or her attorney, as the case may be.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Description of Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares. Each Common Share entitles the holder of record thereof to one (1) vote per Common Share at all meetings of the shareholders of the Corporation. As at the close of business on August 14, 2006, there were 15,840,273 Common Shares outstanding.

Record Date

The directors of the Corporation have fixed August 14, 2006 as the record date for the determination of the shareholders of the Corporation entitled to receive notice of the Meeting. Shareholders of record at the close of business on August 14, 2006 will be entitled to vote at the Meeting and at all adjournments thereof except to the extent that a shareholder has transferred any Common Shares after the record date and the transferee of such Common Shares produces a properly endorsed share certificate or otherwise establishes that the transferee owns the Common Shares and requests, not later than ten days before the Meeting, that his, her or its name be included in the list of the shareholders of the Corporation entitled to vote at the

Meeting, in which case the transferee will be entitled to vote such Common Shares at the Meeting and at all adjournments thereof.

Ownership of Securities of the Corporation

As at August 14, 2006, to the knowledge of the directors and officers of the Corporation, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Corporation carrying more than ten (10%) percent of the voting rights attached to any class of voting securities of the Corporation, with the exception of 1628240 Ontario Inc. which owns 3,307,996 or 20.9% of the Common Shares and Balch Research Corporation which owns 2,400,430 or 15.2% of the Common Shares.

The directors and officers of the Corporation own or control, directly or indirectly, in the aggregate, 6,820,317 Common Shares, representing approximately 43.1% per cent of the outstanding Common Shares as at August 14, 2006.

STATEMENT OF EXECUTIVE COMPENSATION

The following table sets forth information concerning the annual and long term compensation for services rendered to the Corporation and its subsidiaries for the financial years of the Corporation ended April 30, 2006, April 30, 2005 and April 30, 2004 in respect of each of the individuals who were the Chief Executive Officer, Chief Financial Officer, Chairman and President of the Corporation (collectively the “**Named Executive Officers**”) during such financial years. No other executive officer of the Corporation received salary or bonuses from the Corporation aggregating in excess of \$150,000 for any of such financial years.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options Granted ⁽¹⁾ (#)	Restricted Shares or Restricted Share Units (#)	LTIP Payouts (\$)	
Roy Graydon - Chief Executive Officer ⁽²⁾	2006	91,909	NIL	2,700	250,000	NIL	NIL	NIL
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Waldimer Boyko Chairman ⁽³⁾	2006	180,000	NIL	NIL	NIL	NIL	NIL	NIL
	2005	135,000	NIL	NIL	125,000	NIL	NIL	NIL
	2004	NIL	315,000	NIL	NIL	NIL	NIL	NIL
Stephen Balch President	2006	180,000	NIL	NIL	NIL	NIL	NIL	NIL
	2005	180,000	NIL	NIL	125,000	NIL	NIL	NIL
	2004	79,000	NIL	NIL	NIL	NIL	NIL	NIL
Wilfred Edge Chief Financial Officer ⁽⁴⁾	2006	11,956	NIL	NIL	50,000	NIL	NIL	NIL
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Option granted under the Current Plan (as hereinafter defined)
- (2) Contract from November 10, 2005
- (3) Contract from July 1, 2004
- (4) Contract from March 20, 2006

Long Term Incentive Plan Awards

The Corporation has no long term incentive plans other than stock options granted from time to time under the provisions of the stock option plan of the Corporation. However, the Corporation is proposing to establish a restricted stock unit plan (See “BUSINESS OF THE MEETING - APPROVAL OF PROPOSED 2006 RESTRICTED STOCK UNIT PLAN”).

Current Stock Option Plan

The Corporation currently has in place a “rolling” stock option plan (the “**Current Plan**”) whereby a maximum of ten (10%) percent of the then outstanding Common Shares of the Corporation may be reserved for issue pursuant to the exercise of options. The term of any option granted under the Current Plan is fixed by the directors of the Corporation at the time such option is granted, provided that options are not permitted to exceed a term of five years (or ten years if the Corporation is reclassified by the TSX Venture Exchange (the “**Exchange**”) as a Tier I Issuer under the policies of the Exchange). The exercise price of any option granted under the Current Plan is determined by the directors of the Corporation at the time of grant in their sole discretion, but may not be less than the closing price of the Common Shares on the day preceding the day on which the directors of the Corporation grant such option, less any discount permitted by the Exchange. The Current Plan contains, among others, the following additional terms and conditions:

- (a) all options are non-assignable and non-transferable;
- (b) options on no more than five (5%) percent of the then outstanding Common Shares may be granted to any one individual in any 12 month period;
- (c) options on no more than two (2%) percent of the then outstanding Common Shares may be granted to any one consultant in any 12 month period;
- (d) options on no more than an aggregate of two (2%) percent of the then outstanding Common Shares may be granted to employees conducting investor relations activities in any 12 month period;
- (e) disinterested shareholder approval must be obtained for
 - (i) any reduction in the exercise price of an outstanding option, if the option holder is an insider of the Corporation,
 - (ii) any grant of options to insiders of the Corporation, within a 12 month period, exceeding ten (10%) per cent of the then outstanding Common Shares, and
 - (iii) any grant of options to any one individual, within a 12 month period, which exceeds five (5%) per cent of the then outstanding Common Shares, and
- (f) the number of Common Shares or the type of securities issuable upon the exercise of options will be adjusted for normal dilution events, including in the event of any consolidation, subdivision, conversion or exchange of the Common Shares.

The directors of the Corporation may, at the time of a grant of an option, attach restrictions relating to the exercise of such option, including vesting provisions.

Option Grants During the Most Recently Completed Financial Year

The following table sets forth information regarding options granted under the Current Plan during the financial year of the Corporation ended April 30, 2006 to the Named Executive Officers.

Name of Optionee	Securities Under Options Granted	% of Total Options Granted in Period	Exercise Price Per Common Share	Market Price as at Date of Grant	Expiry Date
Roy Graydon	250,000	47%	\$0.50	\$0.36	February 9, 2011
Wilfred Edge	50,000	9%	\$0.50	\$0.40	March 28, 2011

Compensation of Directors

Directors of the Corporation who are officers, employees or contractors of the Corporation receive no compensation for serving as directors of the Corporation. Outside directors (who are neither officers, employees or contractors of the Corporation) each received 15,000 options to purchase Common Shares, and an annual stipend of \$10,000 during the financial year of the Corporation ended April 30, 2006

Composition of the Compensation Committee

The Compensation Committee of the Corporation is comprised of Norman Paterson, Stephen Balch and Roland Horst]

Other Compensation Matters

The directors of the Corporation determine the level of compensation in respect of the senior executive officers of the Corporation. Other than options to purchase Common Shares granted to the Named Executive Officers, there were no long term incentive awards made to the Named Executive Officers during the most recently completed financial year.

Indebtedness of Directors, Executive Officers and Senior Officer

Other than \$60,528 owed by Waldimer Boyko to the Corporation, there was no indebtedness of any director or officer of the Corporation or of any proposed nominee for election as a director of the Corporation to, or guaranteed or supported by, the Corporation or any subsidiary thereof either pursuant to an employee stock purchase program of the Corporation or otherwise during the financial year of the Corporation ended April 30, 2006

AUDIT COMMITTEE

The audit committee (the “**Committee**”) of the directors of the Corporation (the “**Board**”) for the year ended April 30, 2006 consisted of three directors, being Ann Dumyn, Roland Horst and Roy Graydon. It is proposed that John Barker, Roland Horst and Roy Graydon will serve on the Committee for the ensuing year. By virtue of being a “venture issuer”, as defined in Multilateral Instruments 52-110-Audit Committees (“**MI 52-110**”), the Corporation is exempt from the requirement that all members of the audit committee be financially literate and independent of the Corporation.

The Committee is established to assist the Board in fulfilling its oversight responsibilities with respect to the accounting and financial reporting processes of the Corporation and external audits of the Corporation’s consolidated financial statements. In that regard, the Committee shall:

1. Satisfy itself on behalf of the Board with respect to the Corporation’s internal control systems including identifying, monitoring and mitigating business risks as well as compliance with legal, ethical and regulatory requirements. The Committee shall also review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or other contingency (including tax assessments) that could have a material effect on the financial position or operating results of the Corporation (on a consolidated basis), and the manner in which these matters may be, or have been, disclosed in the financial statements;
2. Review with management and the external auditor the annual consolidated financial statements of the Corporation, the reports of the external auditor thereon and related financial reporting, including Management’s Discussion and Analysis and earnings press releases (collectively, “**Annual Financial Disclosure**”) prior to their submission to the Board for approval. This process should include, but not be limited to:

- (a) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future year's financial statements;
- (b) reviewing significant accruals, reserves or other estimates;
- (c) reviewing accounting treatment of unusual or non-recurring transactions;
- (d) reviewing disclosure requirements for commitments and contingencies;
- (e) reviewing financial statements and all items raised by the external auditor, whether or not included in the financial statements; and
- (f) reviewing unresolved differences between the Corporation and the external auditor.

Following such review, the Committee shall recommend to the Board for approval all Annual Financial Disclosure;

- 3. Review with management all interim consolidated financial statements of the Corporation and related financial reporting including Management's Discussion and Analysis and earnings press releases (collectively "**Quarterly Financial Disclosure**") and approve all Quarterly Financial Disclosure;
- 4. Be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than Annual Financial Disclosure or Quarterly Financial Disclosure, and shall periodically assess the adequacy of those procedures;
- 5. Review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus of the Corporation;
- 6. Review with management and recommend to the Board for approval, the Corporation's Annual Information Form (if any);
- 7. With respect to the external auditor:
 - (a) receive all reports of the external auditor directly from the external auditor;
 - (b) discuss with external auditor:
 - (i) critical accounting policies;
 - (ii) alternative treatments of financial information within GAAP discussed with management (including the ramifications thereof and the treatment preferred by the external auditor); and
 - (iii) other material, written communication between management and the external auditor;
 - (c) consider and make a recommendation to the Board as to the appointment or reappointment of the external auditor, being satisfied that such auditor is a participant in good standing pursuant to applicable securities laws;
 - (d) review the terms of engagement of the external auditor, including the appropriateness and reasonableness of the auditor's fees and make a recommendation to the Board as to the compensation of the external auditor;
 - (e) when there is to be a replacement of the external auditor, review with management the reasons for such replacement and the information to be included in any required notice to securities regulators and recommend to the Board for approval the replacement of the external auditor along with the content of any such notice;
 - (f) oversee the work of the external auditor in performing its audit or review services and oversee the resolution of any disagreements between management and the external auditor;

- (g) review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence, including, without limitation:
 - (i) requesting, receiving and reviewing, on a periodic basis, written or oral information from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to the Corporation;
 - (ii) discussing with the external auditor any disclosed relationships or services that the external auditor believes may affect the objectivity and the independence of the external auditor; and
 - (iii) recommending that the Board take appropriate action in response to the external auditor's information to satisfy itself of the external auditor's independence;
 - (h) as may be required by applicable securities laws, rules and guidelines, either:
 - (i) pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any), or, in the case of *de minimus* non-audit services, approve such non-audit services prior to the completion of the audit; or
 - (ii) adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services;
 - (i) review and approve the hiring policies of the Corporation regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation;
8. (a) establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
 - (b) review with external auditor its assessment of the internal controls of the Corporation, its written reports containing recommendations for improvement, and the Corporation's response and follow-up to any identified weaknesses;
9. with respect to risk management, be satisfied that the Corporation has implemented appropriate systems of internal control over financial reporting (and review senior management's assessment thereof) to ensure compliance with any applicable legal and regulatory requirements;
 10. review annually with management and the external auditor and report to the Board on insurable risks and insurance coverage; and
 11. engage independent counsel and other advisors as it determines necessary to carry out its duties and set and pay the compensation for any such advisors.

BUSINESS OF THE MEETING

1. ELECTION OF DIRECTORS

At the Meeting, shareholders of the Corporation will be asked to elect seven (7) directors for the ensuing year. The persons named in the form of proxy accompanying this Management Information Circular intend to vote for the election of the nominees whose names are set forth below, unless the shareholder of the Corporation who has given such proxy has directed that (he Common Shares represented by such proxy be withheld from voting in respect of the election of directors of the Corporation. Management of the Corporation does not contemplate that any of the nominees will be unable to serve

as a director of the Corporation for the ensuing year, however, if that should occur for any reason prior to the Meeting or any adjournment thereof, the persons named in the form of proxy accompanying this Management Information Circular have the right to vote for the election of the remaining nominees and may vote for the election of a substitute nominee in their discretion. Each director elected will hold office until the close of the first annual meeting of the shareholders of the Corporation following his election unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets forth certain information regarding the nominees, their position with the Corporation, their principal occupation or employment during the last five years, the dates upon which the nominees became directors of the Corporation and the approximate number of Common Shares beneficially owned by them, directly or indirectly, or over which control or direction is exercised by them as of August 14, 2006:

Name and Municipality of Residence	Age	Office and Date First Elected/Appointed	Principal Occupation and Positions Held During the last 5 years	Number and % of Common Shares Owned, Beneficially Held or Controlled as at August 14, 2006
Waldimer Boyko Milton, ON	76	Director & Chairman (October 28, 2004)	Beginning May 17, 1988, Mr. Boyko was the President and a director of Aeroquest Limited, the Corporation's wholly owned subsidiary. On January 21, 2004, Mr. Boyko ceased acting as President of Aeroquest Limited and was appointed Chairman. On October 28, 2004, Mr. Boyko was appointed Chairman of the Corporation.	3,309,996 ⁽¹⁾
Roy Graydon Toronto, ON	45	CEO & Director (November 10, 2005)	On November 10, 2005, Mr. Graydon was appointed CEO and a director of the Corporation. From 2003 until 2005, Mr. Graydon was Executive Vice President and Chief Financial Officer of Call-Net Enterprises Inc., a TSX-listed company, and from 2002 until 2003 was Managing Partner of VGC Capital Partners. From 1995 to 2001, Mr. Graydon was both Portfolio Manager and Vice President of Relationship Investing for the Ontario Teachers' Pension Plan Board.	503,000
Stephen Balch Milton, ON	45	Director (May 31, 2004) and President (October 28, 2004)	Mr. Balch was appointed as President and director of Aeroquest Limited on January 21, 2004 and was appointed President of the Corporation on October 28, 2004. Since September 2001, he has also acted as President of Balch Exploration Consulting Inc. Prior to that, Mr. Balch was the Director, Business Development with Scintrex Limited.	2,400,430 ⁽²⁾
Roland Horst Campbellville, ON	55	Director (May 31, 2004)	Mr. Horst is President & CEO of International Nickel Ventures Inc, a public company listed on the TSX. Previously, Mr. Horst was CEO of the Corporation and CEO of Aeroquest Limited from June 2004 to September, 2006. From May 2000 until June 2004, Mr. Horst was the CEO and a director of Scintrex Limited and from April 2001 to June 2004 was CEO and director of LaCoste & Romberg-Scintrex, Inc., geophysical instrumentation firms located in Concord, Ontario. From June 2000 to March 2001, Mr. Horst was also the CEO and a director of IDS Intelligent Detection Systems Inc, a Toronto, Ontario based high technology company.	375,000

Name and Municipality of Residence	Age	Office and Date First Elected/Appointed	Principal Occupation and Positions Held During the last 5 years	Number and % of Common Shares Owned, Beneficially Held or Controlled as at August 14, 2006
Norman Paterson Thornbury, ON	80	Director (October 28, 2004)	Dr. Paterson is presently retired but previously was a director and Senior Consultant of Paterson, Grant & Watson Limited, a geophysical consulting firm.	108,891
John Barker Burlington, ON	58	Director (August 18, 2006)	From 200 to 2006, Mr. Barker was Senior Vice President and Chief Financial Officer of Zenon Environmental Inc, a Toronto Stock Exchange listed company that manufactured low pressure membrane ultra filtration water purification systems servicing the world market in the municipal, industrial and land development areas. Previously, he was SVP and CFO of Glegg Waterconditioning, Inc. and has also held senior financial and administrative positions with Quebecor Printing Inc. and Bonar Inc.	Nil
Gordon West Toronto, ON	73	Director (August 18, 2006)	Dr. West is an Emeritus Professor of the Geophysics group in University of Toronto's Department of Physics. Dr. West graduated in 1955 from the Engineering Physics program of the Faculty of Applied Science and Engineering at the U of T, and returned to obtain M.A. and Ph.D. degrees from the U of T in 1957 and 1960. Subsequently, he joined the faculty at U of T, becoming a full professor in 1972 and professor emeritus in July 1998. In 1990, he was awarded the J. Tuzo Wilson Medal of the Canadian Geophysical Union for distinguished contributions to geophysics in Canada. In 2002, he received the Maurice Ewing Medal of the Society of Exploration Geophysicists (its highest honour) for career contributions to applied geophysics. In 2003, he was made a Fellow of the Royal Society of Canada.	Nil

Notes:

- (1) Common Shares owned and controlled by 1628240 Ontario Inc. a corporation controlled by Waldimer Boyko
- (2) Common Shares owned and controlled by Balch Research Corporation, a corporation controlled by Stephen Balch.

2. APPOINTMENT OF AUDITOR

The auditor of the Corporation is currently BDO Dunwoody LLP, Chartered Accountants (“**BDO**”) who has been the auditor of the Corporation since October 28, 2004. Unless authority to do so is withheld, the persons named in the form of proxy accompanying this Management Information Circular intend to vote for the appointment of BDO as the auditor of the Corporation until the close of the next annual meeting of the shareholders of the Corporation and to authorize the directors of the Corporation to fix the remuneration of the auditor of the Corporation.

External Auditor Disclosure

Audit Committee Oversight

At no time since the commencement of the most recently completed financial year of the Corporation was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the directors of the Corporation.

Reliance on Certain Exemptions

At no time since the commencement of the most recently completed financial year of the Corporation has the Corporation relied on the exemption in section 2.4 of MI 52-110 (*De Minimis* Non-Audit Services), or an exemption from the application of MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

External Auditor Service Fees (By Category)

The aggregate fees billed by the external auditors of the Corporation in each of the last two financial years of the Corporation are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
April 30, 2006	\$55,000	\$14,190	\$14,800	Nil
April 30, 2005	\$75,000	\$16,000	\$4,000	Nil

Exemption

The Corporation is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110 by virtue of the exemption contained in Section 6.1 thereof.

3. RE-APPROVAL OF 2005 INCENTIVE STOCK OPTION PLAN

The directors of the Corporation have established an incentive stock option plan, which plan was originally ratified and approved by the shareholders of the Corporation on May 31, 2004 and re-approved by the shareholders of the Corporation with minor amendments on September 14, 2005 (the “**Existing Plan**”). Pursuant to the Existing Plan, up to ten (10%) percent of the total number of issued and outstanding Common Shares from time to time are issuable upon exercise of options granted. An aggregate of 1,330,000 options have been granted and are outstanding as at the date hereof. In order to comply with the rules and regulations of the TSX Venture Exchange, the Corporation is again seeking re-approval of the Existing Plan by shareholders. A copy of the Plan is attached hereto as Exhibit I.

Options may be granted under the Existing Plan only to directors, officers, employees and consultants of the Corporation subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. The number of Common Shares reserved for issue to any one person pursuant to the Existing Plan may not exceed five (5%) percent of the issued and outstanding Common Shares at the date of such grant. The exercise price of options issued may not be less than the lowest exercise price permitted by the TSX Venture Exchange.

At the meeting, shareholders will be asked to consider a motion to re-approve the Existing Plan. Approval of the motion to re-approve the Plan will be obtained if a majority of the votes cast are in favour thereof. **In the absence of contrary directions, the Management designees intend to vote proxies in the accompanying form in favor of these ordinary resolutions.**

The text of the ordinary resolutions which management intends to place before the Meeting for the re-approval of the Existing Plan is as follows:

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

1. the 2005 Incentive Stock Option Plan (the “**Existing Plan**”) of the Corporation in the form attached as Exhibit I to the Management Information Circular of the Corporation dated August 14, 2006 be and is hereby re-approved as the stock option plan of the Corporation;
2. the form of the Existing 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 Existing Plan and are hereby ratified, confirmed and approved; 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

4. 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.”

4. APPROVAL OF PROPOSED 2006 RESTRICTED STOCK UNIT PLAN

The directors of the Corporation also wish to adopt the 2006 Restricted Stock Unit Plan (the “**RSU Plan**”), subject to the approval of the Exchange. The purpose of the RSU Plan is to promote the growth and success of the Corporation and its subsidiaries and to provide an incentive to certain senior officers, management, employees or consultants of the Corporation, by affording them a greater interest in the success of the Corporation.

The following information is intended as a brief description of the RSU Plan. The full text of the RSU Plan is attached hereto as Exhibit II:

1. The RSU Plan will provide for the issuance at any one time of restricted stock unit shares (“**RSU Shares**”) of up to five (5%) percent of the issued and outstanding shares in the capital stock of the Corporation.
2. The aggregate number of RSU Shares that may be reserved for issuance under the RSU Plan to persons employed in Investor Relations Activities must not exceed two (2%) percent of the issued shares of the Corporation in any 12 month period except where adjusted in accordance with the RSU Plan.
3. The issue price of each restricted stock unit (“**RSU**”) will be determined by the Board of Directors, or a committee appointed by the Board of Directors to administer the RSU Plan (the “**Committee**”), but will not be less than the market price on the date the applicable RSU is granted.
4. The Board of Directors or the Committee will administer the plan and determine those persons to whom grants of RSUs will be made based on their current and potential contribution to the success of the Corporation.
5. Unless the Board of Directors or the Committee provides otherwise at the date of the grant of RSUs, subject to the terms of the RSU Plan and any performance criteria established by the Board of Directors or the Committee at the time of the grant, one third (1/3) of a grant of RSUs will vest on each of the first, second and third anniversaries of the date of the grant, and RSU Shares will be issued to the holder as soon as practicable thereafter.
6. The rights of participants under the RSU Plan are not assignable or transferable.
7. The Board of Directors may from time to time amend, suspend or terminate the RSU Plan in whole or in part.

In order for the Corporation to issue RSUs pursuant to the RSU Plan, the RSU Plan must first be accepted by the Exchange. The Exchange requires that such plans receive disinterested shareholder approval at a company’s annual general meeting. In addition, to comply with other Exchange requirements, the Corporation will be required to convert the Existing Plan to a “fixed” (rather than a “rolling”) option plan. If Exchange or shareholder approval of the RSU Plan is not obtained, the Existing Plan will not be amended. Accordingly, disinterested Shareholders of the Corporation will be asked at the Meeting to consider and if thought fit pass as ordinary resolutions, the text of which will be in substantially the form as follows:

“BE IT HEREBY RESOLVED, as ordinary resolutions of disinterested Shareholders that:

1. the 2006 Restricted Stock Unit Plan (the “**RSU Plan**”) of the Corporation in the form attached as Exhibit II to the Management Information Circular of the Corporation dated August 14, 2006 be and is hereby approved as the restricted stock option plan of the Corporation, including the reserving for issuance under the RSU Plan at any time of a maximum of five (5%) percent of the issued shares of the Corporation;
2. the Board of Directors of the Corporation be authorized in their absolute discretion to establish the RSU Plan and administer the RSU Plan in accordance with its terms and conditions and in connection therewith, the Board of directors is further authorized in their absolute discretion to amend Section 4 of the Corporation’s 2004 Incentive Stock Option Plan to read as follows:

“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 1,584,000. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the un-purchased Shares subject thereto shall again be available for the purpose of this Plan.”

3. the form of the RSU 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;
4. 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.”

In the absence of contrary directions, the Management designees intend to vote proxies in the accompanying form in favor of the foregoing ordinary resolutions.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There have been no transactions entered into or which are proposed to be entered into which have materially affected or will materially affect the Corporation or any subsidiary thereof involving an insider of the Corporation, a proposed nominee for election as a director of the Corporation or any associate or affiliate of any such insider or proposed nominee.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Further financial information is provided by the audited consolidated financial statements of the Corporation for the financial year ended April 30, 2006 and related management’s discussion and analysis of results which accompany this Management Information Circular and have also been filed on SEDAR.

APPROVAL

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

DATED at Toronto, Ontario this 14th day of August, 2006.

BY ORDER OF THE BOARD

Roy Graydon
Chief Executive Officer

EXHIBIT I

AEROQUEST INTERNATIONAL LIMITED 2005 INCENTIVE STOCK OPTION PLAN

1. Purpose

The purpose of the 2005 Incentive Stock Option Plan (the “**Plan**”) of **AEROQUEST INTERNATIONAL LIMITED**, a corporation continued under the *Ontario Business Corporations Act* (Ontario) (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 ¼ 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 Ontario.

EXHIBIT II

AEROQUEST INTERNATIONAL LIMITED 2006 RESTRICTED STOCK UNIT PLAN

ARTICLE 1 - PURPOSE OF THE PLAN

This 2006 Restricted Stock Unit Plan is intended as an incentive to Senior Officers, Management Company Employees, Employees or Consultants of Aeroquest International Limited to develop and promote the growth and success of the Corporation and its subsidiaries by affording them a greater interest in the success of the Corporation and its subsidiaries.

ARTICLE 2 - DEFINITIONS

As used in the Plan, the following terms have the following meanings:

- (a) “**Administrator**” shall mean such administrator as may be appointed by the Corporation from time to time to administer the Plan;
- (b) “**Affiliated Companies**” means, with respect to the Corporation, any person or company if it is a Subsidiary entity of the other or if both are Subsidiary entities of the same person or company within the meaning of OSC Rule 61-501-Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions;
- (c) “**Board of Directors**” shall mean the Board of Directors of the Corporation;
- (d) “**Business Day**” shall mean a day, other than a Saturday or Sunday, on which banking institutions in Canada are not authorized or obligated by law to close;
- (e) “**Change in Control**” shall be deemed to have occurred if (i) whether the result of a merger, consolidation, going-private transaction or any other event, the Shares are no longer traded on an exchange for a period of more than ten (10) consecutive days in which there is trading generally in securities on such an exchange; or (ii) the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation’s assets;
- (f) “**CIC Date**” shall mean the date on which a Change in Control occurs;
- (g) “**Aeroquest Group**” shall mean, collectively, the Corporation and its respective subsidiaries and affiliated companies or, individually, any corporate entity included within such group, as the context indicates;
- (h) “**Committee**” shall mean either the Board of Directors, the Compensation Committee of the Board of Directors, or such other committee of the Board of Directors as the Board of Directors may from time to time designate to exercise the powers conferred upon the Committee by the Plan;
- (i) “**Consultants**” shall mean, in relation to the Corporation, an individual or Consultant Company, other than an Employee or a Director of the Corporation, that: (i) is engaged to provide on a ongoing bona fide basis, consulting, technical, management or other services to the Issuer or to an Affiliated Company, of the Corporation other than services provided in relation to a distribution of securities of the Corporation; (ii) provides the services under a written contract between the Corporation or the Affiliated Company and the individual or the Consultant Company; (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliated Company of the Corporation; and (iv) has a relationship with the Corporation or an Affiliated Company of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation;
- (j) “**Consultant Company**” means for an individual Consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (k) “**Corporation**” means Aeroquest International Limited and its lawful successors;

- (l) **“Eligible Person”** shall mean any designated employee of the Corporation, but shall not include a member of the Board of Directors who is not also such a designated employee;
- (m) **“Employee”** shall mean: (i) an individual who is considered an employee of the Issuer or its subsidiary under the Income Tax Act (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source) or under such similar taxing authority in any jurisdiction where the Corporation carries on business; (ii) an individual who works full- time for an Issuer or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Issuer over the details and methods of work as an employee of the Issuer, but for whom income tax deductions are not made at source; or (iii) an individual who works for the Corporation or its Affiliated Company on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.
- (n) **“Effective Date”** shall have the meaning assigned to such term in Article 3 hereof;
- (o) **“For Cause”** shall mean the lawful termination of employment upon the continued failure by a Participant to perform substantially in a satisfactory manner such Participant’s duties with the Corporation or its subsidiaries (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness), or other misconduct which is materially and demonstrably injurious to the Corporation or its subsidiaries, as determined by the Committee;
- (p) **“Grant”** shall mean the allocation of a number of RSUs by the Corporation to a Designated Employee at any time in accordance with Article 11 hereof;
- (q) **“Grant Date”** shall mean the date set forth in the particular Restricted Stock Unit Agreement entered into by the Corporation and the Participant;
- (r) **“Investor Relations Activities”** shall have the meaning defined in the policies of the TSX Venture Exchange;
- (s) **“Management Company Employee”** means an individual employed by a Person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities;
- (t) **“Market Price”** shall mean the last closing price per share for the Shares on the TSX Venture Exchange, or if the Shares are no longer listed for trading on the TSX Venture Exchange, such other exchange or quotation system on which the Shares are listed;
- (u) **“Participant”** shall mean an individual to whom a Grant has been made in accordance with Article 11 hereof;
- (v) **“Performance Criteria”** shall mean criteria established by the Committee which, without limitation, may include criteria based on the financial performance of the Corporation and/or any company or business unit thereof;
- (w) **“Performance Period”** shall mean the period established by the Committee in respect of each Grant, which period shall commence and end on the dates designated by the Committee;
- (x) **“Permanent Disability”** shall mean a any disability with respect to Participant, that renders that Participant incapable of continuing or resuming his or her employment with the Corporation or its subsidiaries, in a position the same as or similar to that in which he or she was last employed or engaged, on those terms established by the Committee in its sole and absolute discretion;
- (y) **“Plan”** shall mean the 2006 Aeroquest International Limited Restricted Stock Unit Plan as set forth herein and as the same may be further amended from time to time;
- (z) **“Release Date”** shall mean, unless otherwise determined by the Committee, a Business Day following, within a reasonable amount of time, the occurrence of the event giving rise to the issuance of the RSUs in accordance with the provisions of the Plan;
- (aa) **“Retirement”** shall mean retirement in accordance with the provisions of any pension or retirement plan of the Aeroquest Group covering the Participant, retirement pursuant to a special pension arrangement entered into by the

Aeroquest Group and a Participant and applicable in lieu of, or in addition to, any pension or retirement plan of the Aeroquest Group or, if the Participant is not covered by such a plan and/or special pension arrangement, as determined by the Committee;

- (bb) **“RSU”** shall mean a restricted stock unit allocated to an Eligible Person in accordance with Article 11 hereof which shall upon issuance, in accordance with and subject to the provisions of the Plan, entitle the holder thereof to receive one RSU Share;
- (cc) **“RSU Agreement”** means an agreement, in such form or forms as the Board shall from time to time determine which evidences a Grant to a Participant;
- (dd) **“RSU Shares”** shall mean the Shares delivered to Eligible Persons in accordance with the provisions of the Plan in settlement of RSUs issued under the Plan;
- (ee) **“Senior Officers”** shall mean: (i) the chair or a vice chair of the board of directors, the president, a vice president, the secretary, the treasurer or the general manager of a corporation; (ii) any individual who performs functions for a person similar to those normally performed by an individual occupying any office specified in paragraph (i); and (ii) the five highest paid employees of the Corporation, including any individual referred to in paragraph (i) or (ii) and excluding commissioned salesperson who does not act in a managerial capacity.
- (ff) **“Shareholders”** shall mean those holders of securities of the Corporation which have attached voting rights for directors of the Corporation;
- (gg) **“Shares”** shall mean the common shares of the Corporation and **“Share”** shall mean a common share of the Corporation;
- (hh) **“Subsidiary”** means any “subsidiary entity” of the Corporation within the meaning of OSC Rule 61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions.

ARTICLE 3 - EFFECTIVE DATE

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

ARTICLE 4 - APPROVAL OF THE PLAN

This Plan is subject to approval of the shareholders of the Corporation at each annual meeting of the Corporation.

ARTICLE 5 - MAXIMUM NUMBER OF SHARES TO BE ISSUED

The number of RSU Shares reserved for issuance pursuant to the Plan is a rolling maximum and shall not exceed five (5%) of the issued and outstanding Shares of the Corporation at any time.

ARTICLE 6 - LIMITATIONS ON ISSUE

The aggregate number of RSU Shares that may be reserved for issuance under this Plan to persons employed to provide Investor Relations Activities must not exceed 2% of the issued shares of the Corporation in any 12 month period, calculated at the Grant Date, subject to adjustment in accordance with Article 13.

ARTICLE 7 - DETERMINATION OF ISSUE PRICE

The issue price of each RSU granted under this Plan shall be determined by the Committee and will not be less than the Market Price on the applicable Grant Date.

ARTICLE 8 - ELIGIBILITY

The Committee shall from time to time designate any Eligible Person of the Aeroquest Group to receive a Grant of RSUs. No person shall be entitled to participate in the Plan as of right, and the decision as to who participates in the Plan shall, subject to the terms hereof, be made by the Committee in its sole and absolute discretion.

ARTICLE 9 - ADMINISTRATION

The Committee shall administer the Plan in accordance with its terms. The Committee may, subject to the terms of the Plan, delegate to third parties the whole or any part of the administration of the Plan and shall determine the scope of such delegation. Any decision made by the Committee in carrying out its responsibilities with respect to the administration of the Plan shall be final and binding on the Participants.

In addition to the powers granted to the Committee under the Plan and subject to the terms of the Plan, the Committee shall have full and complete authority to interpret the Plan. The Committee may from time to time prescribe such rules and regulations and make all determinations necessary or desirable for the administration of the Plan. In particular, the Committee shall select the Eligible Persons to whom it recommends Grants shall be made and shall determine the amounts and terms of the Grants (including the related Performance Criteria), and the extent to which the Performance Criteria to be achieved during the Performance Period, if any, has been achieved. Any such interpretation, rule, determination or other act of the Committee shall be conclusively binding upon all persons, including the Participants and their legal representatives and beneficiaries. The Committee may correct any defect or any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems, in its sole and absolute discretion, necessary or desirable. No member of the Committee or Board of Directors shall be liable for any action or determination made in good faith pursuant to the Plan. To the full extent permitted by law, the Corporation shall indemnify and save harmless each person made, or threatened to be made, party to an action or proceeding by reason of the fact that such person is or was a member of the Committee and, as such, is or was required or entitled to take action pursuant to the terms of the Plan.

Except as Participants may otherwise be advised by prior written notice of at least thirty (30) days, all costs of the Plan, including any administration fees, shall be paid by the Corporation.

ARTICLE 10 - RSU SHARES SUBJECT TO THE PLAN

Neither the Corporation nor its subsidiaries shall be required to issue and/or cause to be delivered Shares or issue and/or cause to be delivered certificates evidencing Shares to be delivered pursuant to the Plan unless and until such issuance and delivery is in compliance with all applicable laws, regulations, rules, orders of governmental or regulatory authorities and the requirements of any stock exchange upon which Shares of the Corporation or its subsidiaries are listed. Neither the Corporation nor its subsidiaries shall in any event be obligated to take any action to comply with any such laws, regulations, rules, orders or requirements. Subject to the foregoing, the Board of Directors of the Corporation may authorize from time to time the issuance by the Corporation of Shares and the Board of Directors may authorize from time to time the purchase by the Corporation of Shares for the benefit of Participants on the open market or by private transaction as required in order to administer the Plan.

ARTICLE 11 - GRANTS

Subject to the provisions of the Plan, the Committee shall, in its sole discretion and from time to time, determine the Eligible Persons to whom it recommends that Grants be made based on their current and potential contribution to the success of the Corporation. At such time, the Committee shall also:

- (a) determine, in connection with each Grant, the number of RSUs to be allocated;
- (b) determine, in connection with each Grant, the Performance Periods applicable thereto;
- (c) determine, in connection with each Grant, the Performance Criteria, if any, to be achieved during a Performance Period in order for RSUs to be issued to the Participant; and
- (d) determine the other terms and conditions (which need not be identical and which, without limitation, may include non-competition provisions) of all RSUs covered by any Grant. Any Grant and any determination made by the Committee in connection with any such Grant as provided shall be subject to confirmation by the Board of Directors.

ARTICLE 12 - TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

Each Grant pursuant to the Plan shall be evidenced by an RSU Agreement, which agreement may deal with some or all of the following matters:

(a) Number of RSUs

Each RSU Agreement shall state the number of RSUs allocated to the Participant and state that each such RSU shall, subject to and in accordance with the terms of the Plan, entitle the Participant to receive one RSU Share.

(b) Performance Criteria

Each RSU Agreement shall describe the Performance Criteria for the Performance Period, if any, established by the Committee that must be achieved for RSUs to be issued to the Participant.

(c) Vesting and Issue of RSUs

Unless the Committee provides for another Performance Period at the time a Grant is made, and except as otherwise provided in paragraphs (d) or (e) of this Article, or in any other employee benefit plan approved by the Board of Directors, subject to the level of achievement of Performance Criteria, if any, determined by the Committee, the RSUs shall vest and a Participant shall be issued, as soon as reasonably practicable following vesting, one third (1/3) of the RSUs covered by the Grant, settled in the form of RSU Shares, on the Release Date following each of the first, second, and third anniversaries of the Grant Date. The number of RSU Shares received by a Participant shall be equal to the number of RSUs issued on a Release Date. Any RSUs covered by a Grant that are not issued on a Release Date in accordance with the Plan, or are not otherwise settled in accordance with the Plan, shall be forfeited.

(d) Right to RSUs in the Event of Death, Retirement or Termination of Employment

Unless otherwise determined by the Committee:

- (i) In the event of the death of a Participant while in the employment of the Aeroquest Group, the deceased Participant's estate shall elect in writing to the Corporation within 120 days of the Participant's death, with respect to each Grant to such Participant for which the established Performance Period had not ended and for which the RSUs have not otherwise been issued prior to the date of death, to receive, subject to and in accordance with the provisions of the Plan, RSUs issued in the form of RSU Shares to the deceased Participant's estate on the Release Date on which all or a portion of the RSUs would otherwise be issued, if at all, in accordance with the Plan had the Participant not died and continued in the employment of the Aeroquest Group until such Release Date.
- (ii) In the event of Retirement or Permanent Disability, with respect to each Grant to a Participant for which the Release Date has not occurred and for which RSUs have not been issued, the RSUs covered by any such Grant to the Participant shall be issued within a reasonable time following the date of Retirement or Permanent Disability;
- (iii) In the event that a Participant's employment is terminated For Cause, the RSUs covered by any Grant to such Participant with respect to which the Release Date has not occurred and for which RSUs have not been issued, shall be forfeited as of such termination of employment with the Aeroquest Group and any such termination of employment shall not entitle a Participant to any compensation for loss of any benefit under the Plan; and
- (iv) In the event that a Participant's employment terminates for any reason other than death, Retirement, Permanent Disability, or termination For Cause, the RSUs covered by any Grant to such Participant with respect to which the Release Date has not occurred and for which RSUs have not been issued, may either, at the sole discretion of the Committee, be forfeited as of such termination of employment with the Aeroquest Group, or be issued completely or partially within a reasonable time following the date of such termination of employment.

(e) Termination of RSUs

- (i) In the event that a Participant who is not engaged in Investor Relations Activities ceases to be employed with the Corporation or any of its subsidiaries by reason of Retirement, Permanent Disability, or termination of employment for any other reason, the Participant's RSUs shall terminate within ninety (90) days after the date of termination.
- (ii) In the event that a Participant who is engaged in Investor Relations Activities ceases to be employed with the Corporation to provide Investor Relations Activities, the Participant's RSUs shall terminate within thirty (30) days.
- (iii) In all other cases, RSUs granted pursuant to this Plan shall terminate automatically on the earlier of the date on which such RSUs are issued in the form of RSU Shares, in respect of all of the RSUs granted thereunder; and the expiry

date of such RSUs as determined by the Committee or by law. In the case of death of a Participant, when the RSUs shall terminate not later than one (1) year from the date of death of the Participant.

(f) Right to RSUs in the Event of a Change in Control

In the event of the occurrence of a Change in Control, with respect to all Grants outstanding on the CIC Date, the Committee may, in its sole discretion, make appropriate provision for the continuance or redemption of outstanding rights under the Plan, including but not limited to, the issuance of all or a portion of the RSUs allocated to a Participant pursuant to a Grant.

(g) Non-Transferability

The rights or interests of a Participant under the Plan shall not be assignable or transferable, otherwise than by will or the laws governing the devolution of property in the event of death and such rights or interests shall not be encumbered.

(h) RSUs Not Shares

Under no circumstances shall RSUs be considered Shares, nor entitle any Participant to the exercise of voting rights, or the exercise of any other rights attaching to ownership of Shares.

ARTICLE 13 - EFFECTS OF ALTERATION OF SHARE CAPITAL

In the event that:

- (a) a dividend shall be declared upon the Shares payable in Shares of the Corporation;
- (b) the outstanding Shares shall be changed into or exchanged for a different number or kind of shares or other securities of the Corporation or of another corporation, whether through an arrangement, plan of arrangement, amalgamation or other similar statutory procedure, or a share recapitalization, subdivision or consolidation;
- (c) there shall be any change, other than those specified in paragraphs (a) and (b) of this Article, in the number or kind of outstanding Shares or of any shares or other securities into which such Shares shall have been changed or for which they shall have been exchanged; or
- (d) there shall be a distribution of assets or shares to shareholders of the Corporation out of the ordinary course of business,

then, if the Board of Directors shall in its sole discretion determine that such change equitably requires an adjustment in the number of RSUs with respect to which Grants may be made pursuant to the Plan but not yet covered by Grants, of the RSUs then covered by Grants, of the RSUs generally available for Grants under the Plan and of the RSUs available for Grants under the Plan in any calendar year, such adjustment shall be made by the Board of Directors and shall be effective and binding for all purposes. No adjustment provided for in this Article shall entitle a Participant to be allocated a fractional RSU, or receive a fractional RSU Share or any payment in lieu thereof, and the total adjustment with respect to each RSU shall be limited accordingly.

ARTICLE 14 - AMENDMENT AND TERMINATION

The Board of Directors may from time to time amend, suspend or terminate the Plan in whole or in part. The Committee may from time to time amend the terms of Grants made under the Plan, subject to confirmation by the Board of Directors and the obtaining of any required regulatory or other approvals and, if any such amendment will materially adversely affect the rights of a Participant with respect to a Grant, the obtaining of the written consent of such Participant to such amendment. Notwithstanding the foregoing, the obtaining of the written consent of any Participant to an amendment which materially adversely affects the rights of such Participant with respect to a Grant shall not be required if such amendment is required to comply with applicable laws, regulations, rules, orders of governmental or regulatory authorities or the requirements of any stock exchange on which Shares of the Corporation are listed.

ARTICLE 15 - DIVIDENDS

When dividends are paid on Common Shares, a Participant shall be credited with additional RSUs determined as: the Share dividend multiplied by the number of Units credited to the Participant's account on the record date for the payment of dividends, the product of which is then divided by the Market Price on the date of payment of the dividends.

ARTICLE 16 - NOTICE TO COMMISSIONS AND EXCHANGES

The Corporation will give notice to all applicable securities commissions and other regulatory bodies in Canada and the United States and all applicable stock exchanges and other trading facilities upon which the Shares are listed or traded, as may be required, of its adoption of this Plan and of its entering into any RSU agreement with a Participant and the terms and conditions for the issuance of Shares under such RSU Agreement, and will use all reasonable efforts to obtain any requisite approvals as may be required from such bodies, exchanges and trading facilities.

ARTICLE 17 - MISCELLANEOUS PROVISIONS

(a) Participation Voluntary

Participation in the Plan by a Designated Employee is voluntary. No employee shall have any claim or right to receive Grants under the Plan, and the Grant and issuance of RSUs under the Plan shall not be construed as giving a Participant any right to continue in the employment of the Corporation or any of its subsidiaries or affect the right of the Aeroquest Group to terminate the employment of any Participant. Unless the Committee determines otherwise, no notice of termination or payment in lieu thereof shall extend the period of employment for purposes of this Plan.

(b) Withholding Tax

The Committee and/or the Administrator may adopt and apply rules that in its opinion will ensure that the Aeroquest Group will be able to comply with applicable provisions of any federal, provincial, state or local law relating to the withholding of tax, including the amount, if any, included in income of a Participant. The Aeroquest Group or the Administrator may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Aeroquest Group shall be able to comply with applicable provisions of any federal, provincial, state or local law relating to withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Participant. The Aeroquest Group or the Administrator shall, in this connection, have the right in its discretion to satisfy any such withholding tax liability by retaining or acquiring any Shares which would otherwise be issued or provided to a Participant hereunder, or withholding any portion of any cash amount payable to a Participant hereunder. The Aeroquest Group or the Administrator shall also have the right to withhold the delivery of any RSUs and RSU Shares and any cash payment payable to a Participant hereunder unless and until such Participant pays to the Aeroquest Group a sum sufficient to indemnify the Aeroquest Group for any liability to withhold tax in respect of the amounts included in the income of such Participant as a result of the settlement of RSUs under this Plan, to the extent that such tax is not otherwise being withheld from payments to such Participant by the Aeroquest Group or the Administrator.

(c) Notice

Any notice to be given to the Corporation pursuant to the provisions of this Plan shall be addressed to the Corporation at its principal business office, and any notice to be given to a Participant shall be delivered personally or addressed to the Participant at his or her last known address or at the address he or she designates in writing to the Corporation for this purpose. Any such notice shall be deemed duly given when made in writing and delivered to the Corporation or the Participant, as the case may be, or if mailed, then on the third Business Day following the date of mailing such notice in a properly sealed envelope addressed as aforesaid, registered or certified mail, postage prepaid, in a post office or post office branch maintained in Canada or the United States of America.

(d) Acceptance of Terms by Participant

Participation in the Plan by any Participant shall be construed as acceptance of the terms and conditions of the Plan by the Participant and as to the Participant's agreement to be bound hereby.

(e) Governing Law

The Plan shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein.

(f) Number and Gender

In this Plan, whenever the context so requires, the masculine gender includes the feminine gender and a singular number includes the plural number.