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	SHAREHOLDERS COMMUNICATION FORM

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**  
**(VOTING & NON-VOTING)**

NOTICE is hereby given that the Annual General Meeting of the Shareholders of ESTEC SYSTEMS CORP. (the "Company") will be held in the conference room of its head office at 17510 - 102 Avenue, Second Floor, Edmonton, Alberta, T5S 1K2 on Friday, the 20th day of November, 2009 at the hour of 2:00 o'clock in the afternoon for the following purposes:

1. To receive the report of the Directors;
2. To receive and consider the Audited Financial Statements for the period ending June 30, 2009 together with the Auditors' report thereon;
3. To appoint Auditors for the ensuing year and to authorize the Directors to fix the remuneration to be paid to the Auditors;
4. To ratify, confirm and approve all acts, deeds, payments of money and things done by and the proceedings of the Directors and Officers of the Company on behalf of the Company during the preceding year;
5. To fix the number of Directors for the ensuing year at Seven (7) and to authorize the Directors to appoint additional Directors to fill any vacancies which may exist at the time of such appointment;
6. To elect Directors for the ensuing year;
7. To consider, and if thought fit, approve the Company's 10% "rolling" Stock Option Plan in the form attached as Schedule "A" (rolling plans must receive shareholder approval yearly at the AGM).
8. To consider, and if thought fit, authorize the granting or amending of Directors' and Employees' Stock options to be allocated or amended at the discretion of the Board of Directors in such amounts and at such prices as may be acceptable to the securities regulatory authorities having jurisdiction over such matters;
9. To transact such other business as may properly be transacted at such meeting or at any adjournment thereof.

If you are unable to attend the Annual General Meeting in person, please read the Notes accompanying the Instrument of Proxy enclosed herewith and complete and return the Proxy within the time set out in the Notes. As set out in the Notes, the enclosed Proxy is solicited by Management, but you may amend it if you so desire by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.

DATED at Edmonton, Alberta this 07th day of October, 2009.

BY ORDER OF THE BOARD

"ANTHONY B. NELSON"

Anthony B. Nelson  
President

## **INFORMATION CIRCULAR**

Wednesday, October 07, 2009

### **SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by the Management of ESTEC SYSTEMS CORP. (the "Company"), for use at the Annual General Meeting (the "Meeting") of the Shareholders of the Company, to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. The cost of solicitation will be born by the Company.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the accompanying form of Proxy are Directors of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO ATTEND AND ACT FOR HIM ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE ENCLOSED INSTRUMENT OF PROXY. TO EXERCISE THIS RIGHT, A PERSON SHALL STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE INSTRUMENT OF PROXY AND INSERT THE NAME OF HIS NOMINEE IN THE BLANK SPACE PROVIDED, OR, COMPLETE ANOTHER INSTRUMENT OF PROXY. THE COMPLETED PROXY SHOULD BE DEPOSITED WITH THE COMPANY'S REGISTRAR AND TRANSFER AGENT, COMPUTERSHARE INVESTOR SERVICES, INC., 510 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA, V6C 3B9 AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING OR ADJOURNMENT THEREOF,** or to the Chairman of the meeting on the day of the meeting or any adjournment thereof.

The Instrument of Proxy must be signed by the Shareholder or by his Attorney in writing, or, if the Shareholder is a corporation, under its common seal signed by an officer, or attorney thereof.

A Shareholder who has given a proxy may revoke it at any time before it is exercised. A proxy may be revoked by instrument in writing executed by the Shareholder, or by his Attorney authorized in writing, or, if the Shareholder is a corporation, under its common seal, by an officer or attorney thereof duly authorized and deposited with the Registrar and Transfer Agent of the Company, Computershare Investor Services, Inc., 510 Burrard Street, Vancouver, British Columbia V6C 3B9 at least 48 hours before the time of the meeting, or any adjournment thereof, at which the proxy is to be used, or to the Chairman of the meeting on the day of the meeting or any adjournment thereof.

### **VOTING OF SHARES AND EXERCISE OF DISCRETION OF PROXIES**

On any poll, the persons named in the enclosed Instrument of Proxy will vote the shares in respect of which they are appointed and where directions are given by the Shareholder in respect of voting for, against or withholding a favorable vote respecting any resolution and the proxy holder will do so in accordance with such direction.

**IN THE ABSENCE OF ANY DIRECTION IN THE PROXY, IT IS INTENDED THAT SUCH SHARES WILL BE VOTED IN FAVOR OF THE MOTIONS PROPOSED TO BE MADE AT THE MEETING AS STATED UNDER THE HEADINGS IN THIS INFORMATION CIRCULAR.**

The Instrument of Proxy enclosed, when properly signed, confers discretionary authority with respect to amendments or variations to the matters which may properly be brought before the Meeting. At the time of printing this Information Circular, the Management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. However, if any other matters which are not now known to the Management should properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgement of the persons voting the proxy.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

On October 07, 2009 there were **10,461,629** common shares issued and outstanding, each share carrying the right to one vote. Only those shareholders of record on October 07, 2009 shall be entitled to vote at the forthcoming Annual General Meeting or any adjournment thereof in person or by proxy. Only common shares of the company have the right to vote and only common shares are issued and outstanding.

To the knowledge of the Directors and Senior officers of the Company, only the following own, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company:

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of Issued and Outstanding</u>
Allan R. Nelson Engineering Ltd. Edmonton, AB	<b>5,737,978</b>	<b>54.85%</b>
CDS & Co.	<b>3,179,727</b>	<b>30.39%</b>

The above information was supplied by the Registrar and Transfer Agent for the Company and the shareholders involved.

**FINANCIAL STATEMENTS**

Shareholders will be asked to approve the audited financial statements of the Company for the period ending June 30, 2009 together with the Auditor's Report thereon enclosed herewith. Additional copies of the Financial Statements, together with the Directors Report, Notice of Meeting, Information Circular and Proxy will be available from the Company's Registrar and Transfer Agent, Computershare Investor Services, Inc., 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

## ELECTION OF DIRECTORS

The persons named in the enclosed Instrument of Proxy intend to vote for the election of a Board of Directors comprised of seven (7) persons. The names of further nominees for Directors may come from the floor at the Meeting.

Each Director elected will hold office until the next Annual General Meeting or until his successor is duly elected, unless his office is earlier vacated, in accordance with the Articles of the Company.

### INFORMATION CONCERNING NOMINEES FOR DIRECTOR SUBMITTED BY MANAGEMENT

Name, Address, and Current Capacity in Company's Management	Principal Occupation and, if not at present an elected Director, then occupation during past five years	Year First Became a Director.	No. of Shares Owned by Nominee (1)
ANTHONY B. NELSON(4) Alberta, Canada PRESIDENT & DIRECTOR	Management Consultant, Computer Software Specialist, Employee of ESTec Systems Corp..	1988	51,000 (2) (escrow) 515,225 (free trading)
H. MARGARET NELSON Alberta, Canada C.F.O. & DIRECTOR	Office Administrator; Employee of ESTec Systems Corp.	1987	255,000 (escrow) 3,435,678(3) (free trading)
ALLAN R. NELSON P.Eng. Alberta, Canada DIRECTOR	Consulting Engineer; Employee of Allan R. Nelson Engineering (1997) Inc., specialist in forensic engineering and machinery design for the oil industry.	1989	3,362,955(3) (free trading)
DAVID E. WRIGHT (4) Alberta, Canada	The Osborne Group, Interim Management.	2002	100,000
BARBARA E. FRASER (4) British Columbia, Canada	Director of Sear Inc. (SDS - TSXV) since September 17, 2002. Currently President and Director of Chimera Capital Corp., an Alberta based business consulting company and from 1994 through 2001, President and a Director of E-Z Riders Motorcycle Training Ltd. From 1999 to 2001, Vice-President of Emerging Equities Inc. and from 1996 to 1999, Vice-President of Rogers & Partners Securities Inc. (now Leede Financial).	2005	none

## Notes:

- (1) The number of shares beneficially owned by the above nominees for directors, directly or indirectly, is based on information furnished by the nominees themselves and/or the Registrar and Transfer Agent of the Company and includes shares held indirectly through holding companies.
- (2) Anthony B. Nelson and Julia E. Nelson have a joint interest in 51,000 common escrow shares in the capital of the Company and a joint interest in 9,274 common shares in the capital of the Company.
- (3) Allan R. Nelson and H. Margaret Nelson each hold 50% of the shares in Allan R. Nelson Engineering Ltd., which holds 5,737,978 shares. This gives them each an indirect ownership of 2,868,989 additional shares, which has been included in this figure.
- (4) The members of the Audit committee of the Company consist of Anthony B. Nelson, David E. Wright and Barbara E. Fraser.

## CORPORATE GOVERNANCE DISCLOSURE

### **Board of Directors**

Barb E. Fraser	Independent	
Allan R. Nelson	Not Independent	Mr. Nelson holds 50% of the shares in Allan R. Nelson Engineering Ltd., which holds 5,737,978 shares (54.85% of issued and outstanding shares). Mr. Nelson is an employee of a subsidiary of the issuer.
H. Margaret Nelson	Not Independent	Mrs. Nelson holds 50% of the shares in Allan R. Nelson Engineering Ltd., which holds 5,737,978 shares (54.85% of issued and outstanding shares). Mrs. Nelson is an executive officer and employee of the company.
Anthony B. Nelson	Not Independent	Mr. Nelson is an executive officer and employee of the company.
David E. Wright	Independent	

### **Directorships**

Barb E. Fraser                      Ms. Fraser is a director of Seair Inc. (SDS, Toronto Venture Exchange)

### **Orientation and Continuing Education**

There is no formal orientation program for new board members. During the board members' first board meeting time is spent to familiarize the member with the concerns facing the board and to answer any questions the new member may have.

There is no formal program for educating board members. A board member who wishes to have additional training may request it at a board meeting.

### **Ethics**

The Allan R. Nelson Engineering (1997) Inc. subsidiary takes ethics of the engineering staff very seriously, as a significant selling feature of the service is the integrity of the answers we provide when doing forensic investigations.

At the board level there is no formal ethics policy at this time.

### **Nomination of Directors**

New candidates are identified by consulting with outside advisors such as our financial auditors. New candidates are investigated and interviewed by several board members prior to proposing the new director to the board.

### **Compensation**

Directors are compensated for their travel and out of pocket expenses. In addition each member of the board is entitled to stock options. Compensation is approved by the board of directors at a regular board meeting.

### **Other committees**

Beside the audit committee, there are no other committees at this time.

### **Composition of Audit Committee**

Anthony B. Nelson	Not independent	Financially literate
David E. Wright	Independent	Financially literate
Barb E. Fraser	Independent	Financially literate

### **Relevant Education and Experience of Audit Committee Members**

Anthony B. Nelson: Mr. Nelson has a BSc. in Math from the University of Alberta as well as 3 years of study towards a Bachelor of Commerce degree from the University of Alberta. He is a certified ISO 17799 / BS 7799 Auditor and has experience auditing computer systems. He has 35+ years experience managing businesses, including using financial statements and financial reporting systems, as well as implementing controls over financial records processing.

David E. Wright: Mr. Wright obtained a Bachelor of Commerce Degree from the University of Alberta in 1973. In addition he owns a private company for which he does all of the accounting. He has worked in industry in a number of capacities that included several years in various financial evaluation groups in different companies.

Barb E. Fraser: Ms. Fraser has completed the following courses from the Canadian Securities Institute, many of which cover extensive financial statement analysis:

Canadian Securities Course  
 Registered Representatives Course  
 Effective Management In The Canadian Securities Industry  
 Branch Managers Course  
 Partners, Directors & Officers Course  
 Conduct & Practices  
 Securities Law  
 Professional Financial Planners  
 Option Supervisors Course

Ms. Fraser has also taken the Public Company Compliance course offered by GlobalCCI.

She has been Vice President, Compliance for 2 regional brokerage firms as well as having been an Investigator for the Alberta Stock Exchange. These positions required a good financial working knowledge and familiarity with various internal controls and procedures.

She has been an active member of the Audit Committee of Seair Inc. since September, 2002 and keeps current on public financial reporting requirements.

Ms. Fraser currently reviews/assists with financial records and bookkeeping audit/organization for current clientele of her consulting company (Chimera Capital Corp.) She does the bookkeeping and financial statements as well as tax preparation and filing for her personal business as well as several other small-business clients.

**Assessment**

There is no formal assessment program. If a board member is not pulling his or her weight, then this is discussed at a board meeting and the director is asked to improve specific performance (i.e. attend more meetings). If the member does not achieve the goal they are asked to resign.

**STATEMENT OF EXECUTIVE COMPENSATION**

NEO Name and Principal Position	Year	Annual Compensation		Securities Under Options/SARs granted (#)
		Salary (\$)	Bonus (\$)	
Anthony B. Nelson, Management Consultant, CEO	2008-2009	115,000	0	100,000
	2007-2008	96,000	0	
	2006-2007	96,000	10,000	
H. Margaret Nelson, Office Administrator, CFO	2008-2009	80,000	0	100,000
	2007-2008	60,000	0	
	2006-2007	60,000	20,000	

The number of executive officers of the Company is two (2). No remuneration was paid to any of the executive officers of the Company for the period ended June 30, 2009 for services rendered in their capacity as such. There has been no other cash compensation, including salaries, fees, commissions and bonuses paid



nor will be paid to the executive officers of the Company for services rendered during the most recently completed financial year, being June 30, 2009.

Subsequent to year-end options were issued to employees and directors of the company including Mr. Anthony Nelson and Mrs. H. Margaret Nelson in the amount of 30,000 options each.

Anthony B. Nelson, CEO and director of the company is an employee of ESTec Systems Corp. He is a management consultant earning \$115,000/year.

H. Margaret Nelson, CFO and director of the company is an employee of ESTec Systems Corp. She is an office administrator earning \$80,000/year.

**OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

No options were granted during the most recently completed financial year.

**TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS**

There are no employment contracts between the Company or its subsidiaries and a Named Executive Officer (NEO).

There is no compensatory plan with respect to:

- resignation, retirement or any other termination of a NEO
- a change of control of the Company or any of its subsidiaries
- a change in the NEO's responsibilities following a change in control

**COMPENSATION OF DIRECTORS**

The number of directors of the Company is seven (7). Currently five (5) positions are filled. No remuneration was paid to any of the directors of the Company for the period ended June 30, 2009 for services rendered in their capacity as such. There has been no other cash compensation, including salaries, fees, commissions and bonuses paid nor will be paid to the directors of the Company for services rendered during the most recently completed financial year, being June 30, 2009.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

As at June 30, 2009 the Company has outstanding share purchase options which have been granted to Directors and Employees of the Company, being part of the 10% "rolling" stock option plan:

Date of Option	Expiry Date of Option	Option Price	Amount of Options granted	Outstanding
21 October 2005	21 October 2010	\$0.10	300,000	275,000
07 February 2008	07 February 2013	\$0.10	350,000	325,000

Subsequent to the year-end share options were issued to employees and directors of the company.

Date of Option	Expiry Date of Option	Option Price	Amount of Options granted	Outstanding
24 July 2009	24 July 2014	\$0.10	270,000	270,000

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

There is no indebtedness of directors and executive officers.

## **MANAGEMENT CONTRACTS**

The business of the Company is managed by its Directors and Officers and the Company has no management agreements with persons who are not officers or directors of the Company.

## **APPOINTMENT AND REMUNERATION OF AUDITORS**

The persons named in the enclosed Instrument of Proxy will vote for the appointment of Kingston Ross Pasnak LLP, Chartered Accountants, as Auditor for the Company, to hold office until the next Annual General Meeting of the Shareholders, at a remuneration to be fixed by the Board of Directors. Kingston Ross Pasnak was first appointed on July 19, 2004.

### **External Auditor Service Fees**

	<b>2008/2009</b>	<b>2007/2008</b>
<b>Audit Fees</b>	<b>\$ 33,000.00</b>	<b>\$ 28,000.00</b>

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

### **A. Incentive Stock Options**

The Company currently has 275,000 share purchase options outstanding which expire 24 October 2010 and 325,000 share purchase options outstanding which expire 07 February 2013. Subsequent to year end, at 24 July 2009, 270,000 options were granted to directors and employees of the company. These options will expire July 24, 2014.

At the annual meeting 2005 the company adopted a “rolling” stock option plan. Under this plan the maximum number of shares available for options would be 10% of the number of issued Common shares of the Company (non-diluted) at any given time. The new stock option plan must be ratified annually by the shareholders at the annual meeting. Attached as schedule “A” is a copy of the proposed stock option plan. Shareholders will be asked to authorize the Directors to grant or amend options to Directors, Employees and Consultants, to purchase shares of the Company in amounts and at prices acceptable to the regulatory authorities. The present policy of the Toronto Venture Exchange is that up to 10% of the issued share capital can be made available under an option plan without vesting provision, and option grants to individuals must not exceed 5% of issued shares to any one individual in a 12 month period and must not exceed 2% of issued shares to a consultant in a 12 month period. The present procedure is that the option exercise price must not be less than the Discounted Market Price. The Company is then immediately required to make a News Release to fix the price. Under a plan the Company has to file all the appropriate documentation with the Toronto Venture Exchange at the end of every month in which stock options are granted.

The options may be exercisable for up to a period of five (5) years but only during the tenure of office of the Employee, Director or Consultant and for a maximum of ninety (90) days thereafter. Option exercise prices may be amended only after one (1) year has expired from the date of their granting.

The Company has to receive Exchange acceptance of a rolling plan each year after initial acceptance. The Company has obtained initial acceptance of the TSX Venture Exchange for the Company’s 10% “rolling” stock option plan, on October 5, 2005. The Stock Option Plan was re-approved by the shareholders on November 21, 2008 and accepted for filing by the Exchange on 09 December, 2008.

Shareholders will be asked to authorize the Directors to issue Directors' and Employees' Stock Options to be allocated at the discretion of the Board of Directors in such amounts and at such prices as may be acceptable to the regulatory authorities having jurisdiction over such matters.

**C. Other Matters**

The management of the Company knows of no other matters to come before the meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the Proxy solicited hereby will be voted on such matters in accordance with the best judgement of the persons voting the proxy.

**ADDITIONAL INFORMATION**

Additional information relating to the company is on SEDAR at [www.sedar.com](http://www.sedar.com).

To request copies of the company's financial statements and Management Discussion & Analysis (MD&A) you can write to us at the following address:

ESTec Systems Corp.  
#209, 17510 – 102 Avenue  
Edmonton, Alberta  
T5S 1K2,

**OR** request a copy via e-mail at the following e-mail address:

[investor@estec.com](mailto:investor@estec.com)

Copies of our annual and interim financial statements can also be found on our website:

<http://www.estec.com/investors/download.htm>

Financial Information is provided in the company's comparative financial statements and MD&A for its most recently completed financial year.

DATED at Edmonton, Alberta this 07th day of October, 2009.

BY ORDER OF THE BOARD

"ANTHONY B. NELSON"

Anthony B. Nelson  
President

## “SCHEDULE A”

### ESTEC SYSTEMS CORP. DIRECTORS’, MANAGEMENT AND EMPLOYEES’ 10% ROLLING STOCK OPTION PLAN

#### 1. PURPOSE OF THE PLAN

ESTec Systems Corp.’s 10% Rolling Stock Option Plan (the “Plan”), is intended to provide additional incentive to directors, officers, employees and consultants of the Corporation or its subsidiaries (ESTec Systems Corp. and/or its subsidiaries, as the context may require, is/are referred to herein as the “Corporation”) by encouraging them to acquire shares below market value of the common stock of the Corporation through options, thereby increasing such directors/officers/employees/consultants’ proprietary interest in the business of the Corporation and providing them with an increased personal interest in the continued success and progress of the Corporation, the result of which will promote both the interest of the Corporation as well as its shareholders.

#### 2. DEFINITIONS

Whenever used herein, the following words and expressions shall have the following meanings, namely:

- a. **“Board”** means the board of directors of the Corporation as it may be constituted from time to time;
- b. **“Consultant”** means consultant as that term is defined in TSX Venture Exchange Policy 4.4;
- c. **“Corporation”** means ESTec Systems Corp., and/or its subsidiaries as the context may require;
- d. **“Eligible person”** means a director, officer, employee or consultant of the Corporation eligible for participation in the Stock Option Plan;
- e. **“Exchange”** means TSX Venture Exchange;
- f. **“Option”** means an option granted under the terms of the Stock Option Plan;
- g. **“Option Period”** means the period during which an Option may be exercised;
- h. **“Optionee”** means a Director, Member of Management, Employee or Consultant of the Corporation to whom an Option has been granted under the terms of the Stock Option Plan.
- i. **“the Plan”** means the plan established and operated as outlined below;
- j. **“Shares”** means any securities of the Corporation from time to time authorized by the charter documents of the Corporation;

#### 3. ADMINISTRATION OF THE PLAN

This Plan shall be administered by the Board of the Corporation. The Board shall have the sole power:

- a. subject to the provisions of the Plan, to determine the terms and conditions of all Options; to construe and interpret the Plan and Options granted under it; to determine the time or times an Option may be exercised at any one time, and when an Option may terminate; to establish, amend and revoke rules and regulations relating to the Plan and its administration; and to correct any defect, supply any omission, or reconcile any inconsistency in the Plan, or in any Option Agreement, in a manner and to the extent it shall deem necessary, all of which determinations and interpretations made by the Board shall be conclusive and binding on all Optionees and on their legal representatives and beneficiaries; and

- b. to determine all questions of policy and expediency that may arise in the administration of the Plan and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Corporation.

#### **4. SHARES SUBJECT TO THE PLAN**

The Stock which may be issued pursuant to Options granted under the Plan shall not exceed in the aggregate 10% of issued and outstanding shares, or 1,046,162 shares, including all options issued previously pursuant to or not pursuant to a stock option plan.

In addition, the aggregate number of shares available for issuance under the Plan to any one individual in a 12 month period shall not exceed 5% of the issued and outstanding shares at the time of granting, unless any such stock option grant or grants are approved by the Exchange and by the disinterested shareholders of the Corporation.

If any Options granted under the Plan terminate, expire or are surrendered without having been exercised in full, the number of shares of Stock not purchased under such Options shall be available again for the purpose of the Plan.

#### **5. GRANTING OF OPTIONS**

The Board may at any time authorize the granting of Options to such eligible persons as it may choose, subject to the provisions of the Plan. The date of each grant of Options shall be determined by the Board when the grant is authorized.

Each option granted to an eligible person shall be evidenced by a stock option agreement with terms and conditions consistent with the Plan and as approved by the Board (which terms and conditions need not be the same in each case and may be changed from time to time).

#### **6. PERSONS ELIGIBLE FOR OPTIONS**

Only bona fide Directors, Officers, Employees and Consultants of the Corporation shall be eligible to receive the grant of Options under the Plan. The Board shall determine the directors, officers, employees and consultants to whom Options shall be granted, the time or times such Options shall be granted, the number of shares to be subject to each Option and the times when each Option may be exercised.

#### **7. EXERCISE PRICE**

The Exercise price of each share of Stock shall be determined by the Board from time to time, but shall not be lower than the lowest exercise price permitted by the TSX Venture Exchange. The maximum allowable discounts available when setting the option exercise price will be based on the Discounted Market Price as that term is defined in TSX Venture Exchange Policy 1.1.

#### **8. DURATION OF OPTIONS**

The Option Period shall be for such term as the Board may determine from time to time but shall not be greater than five years from the date such Option is granted.

Subject to earlier termination as provided herein, any outstanding Option and all unexercised rights thereunder shall expire and terminate automatically upon the earlier of

- (i) thirty (30) days after the cessation of the employment of the Optionee by the Corporation for any reason other than death;
- (ii) the date which is one year following the date on which the Optionee's service with the Corporation ceases due to death;
- (iii) the date of expiration of the Option determined by the Board at the time the Option is granted; and
- (iv) the date five (5) years after the granting of the option.

## **9. EXERCISE OF OPTIONS**

An Option may be exercisable in installments or otherwise upon such terms as the Board shall determine when the Option is granted. All stock options and any Listed Shares issued on the exercise of stock options must be legended with a four month Exchange hold period commencing on the date the stock options are granted.

The exercise of any Option will be contingent upon receipt by the Corporation of cash payment of the full purchase price for the Shares being purchased. No Optionee or his legal representatives will be, or will be deemed to be, a holder of any shares subject to an Option, unless and until certificates for such Shares are issued to him or them under the terms of the Stock Option Plan.

## **10. NONTRANSFERABILITY OF OPTIONS**

- a. No Option granted under the Plan shall be assignable or transferable by the Optionee, either voluntarily or by operation of law, other than by will or the laws of descent and distribution, and, during the lifetime of the Optionee, shall be exercisable only by the Optionee.
- b. If an Optionee ceases before the expiry of the Term to be a director, officer, employee or consultant of the Corporation by reason of the death of such Optionee, then the executor named in the will or the administrator of the estate of such Optionee shall have the right to exercise the Option in the place of such Optionee for a period of one (1) year from the date of death of the Optionee.

## **11. CONDITIONS OF GRANTING OPTIONS**

An aggregate of 10% of the issued Shares of the Corporation (on a non-diluted basis) will be available for issuance upon the exercise of options granted under the Plan.

- a. No more than 5% of the issued shares of the Issuer may be granted to any one individual in any 12 month period;
- b. No more than 2% of the issued shares of the Issuer may be granted to any one Consultant in any 12 month period;
- c. The aggregate number of options granted to Persons employed to provide Investor Relations Activities must not exceed 2% of the issued shares of the Issuer in any 12 month period, calculated at the date the option was granted.

Options issued to consultants providing Investor Relations services must vest in stages over 12 months with no more than  $\frac{1}{4}$  of the options vesting in any three month period.

## **12. LOANS TO EMPLOYEES**

Subject to the laws applicable to the Corporation, the Board may at any time authorize the corporation to loan money to an Eligible person on such terms and conditions as the Board in its sole discretion may determine, to assist such Eligible person to exercise an Option held by him, but in no case shall that Eligible person trade purchased shares until such loan has been fully repaid to the Corporation.

## **13. EMPLOYMENT**

Nothing contained in the Plan shall confer upon any Participant any right with respect to employment or continuance of employment with the Corporation or interfere in any way with the right of the Corporation to terminate the Participant's employment at any time. Participation in the Plan by a Participant is voluntary.

#### **14. RECORD KEEPING**

The Corporation shall maintain a register in which shall be recorded:

- a. the name and address of each Optionee;
- b. the number of Options granted to an Optionee and the number of Options outstanding.

#### **15. SHAREHOLDER APPROVAL OF PLAN**

Approval of the Plan or amendments to the Plan will be sought every year at the Corporation's Annual General Meeting of the shareholders. Evidence that the majority of the Voting Shares are in favour of the proposal is not an acceptable substitute. Shareholder approval can be given at a meeting of the shareholders after the establishment of the Plan, grant of options or amendment of options provided that no options are exercised under the Plan, individual grant or amendment before the meeting.

#### **16. DISINTERESTED SHAREHOLDER APPROVAL**

- a. Disinterested Shareholder approval will be obtained if
  - i) a stock option plan, together with all of the Issuer's previously established and outstanding stock option plans or grants, could result at any time in:
    - A) the number of shares reserved for issuance under stock options granted to Insiders exceeding 10% of the issued shares;
    - B) the grant to Insiders, within a 12 month period, of a number of options exceeding 10% of the issued shares; or
  - ii) the Issuer is decreasing the exercise price of stock options previously granted to Insiders.
  - iii) the aggregate number of shares available for issuance under the Plan to any one individual within a 12 month period exceeds 5% of the issued and outstanding shares
- b. if (a) applies, the proposed grant(s) or plan must be approved by a majority of the votes cast by all Shareholders at the Shareholders' meeting excluding votes attaching to shares beneficially owned by:
  - i) Insiders to whom options may be granted under the stock option plan; and
  - ii) Associates of Persons referred to in (b)(i).

#### **17. EXCHANGE APPROVAL**

The terms of the Options granted from time to time hereunder, and the Optionees to whom Options are granted, are subject to the Exchange accepting notice of such terms and proposed Optionees.

#### **18. EFFECT OF WIND-UP, AMALGAMATION OR MERGER**

If the Corporation during the Option Period determines to dissolve or wind-up, amalgamate or merge into or with any other body corporate or bodies corporate so that the Corporation is not the resulting corporation, whether the same be done by way of arrangement, sale of its assets and undertakings, winding-up or otherwise howsoever, or if there is any capital reorganization or reclassification of the share capital of the Corporation or any consolidation or merger of the Corporation as aforesaid, or the sale or distribution of all or substantially all of the Corporation's assets to any other body corporate, adequate provision shall be made by the Corporation so that there shall be

substitution for the Option shares, the shares, securities or assets issued, paid or payable in exchange for the Option Shares.

**19. REPRESENTATION OR WARRANTY**

The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

**20. INTERPRETATION**

Unless the context otherwise requires,

- a. words importing male persons include female persons and corporations; and
- b. words in the singular include the plural and words in the plural include the singular.

This Stock Option Plan was approved by the Board of Directors of the Corporation on the 28<sup>th</sup> day of September 2005.

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Anthony B. Nelson, President