



NOTICE AND MANAGEMENT INFORMATION CIRCULAR

**For the Annual and Special General Meeting
of Shareholders to be held at**

The Delta Vancouver Suites
550 West Hastings Street
Vancouver, British Columbia
on Wednesday, December 13, 2006
at 10:00 a.m. (Vancouver time)

**This booklet contains
important information
for Shareholders**



November 14, 2006

Dear Shareholder,

It is my pleasure to invite you to attend the 2006 Annual and Special General Meeting of Shareholders of Intrinsic Software International, Inc. The meeting will be held on Wednesday, December 13, 2006 at 10:00 a.m. (Vancouver time) at the Delta Vancouver Suites in Vancouver, British Columbia.

The items of business to be considered at the meeting are described in the attached Notice of Annual and Special General Meeting and Management Information Circular. During the meeting, we will also review Intrinsic's business during fiscal 2006 and our plans for the future. You will have the opportunity to ask questions and to meet your directors and executives.

Your participation at the shareholders' meeting is very important. Accordingly, whether or not you plan to attend, we encourage you to vote by following the voting instructions included on the enclosed form of proxy.

We look forward to seeing you at the meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenda M. Dorchak", written in a cursive style.

GLENDAM. DORCHAK
Chairman and Chief Executive Officer

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INTRINSYC SOFTWARE INTERNATIONAL, INC.

NOTICE OF 2006 ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Board of Directors of Intrinsic Software International, Inc. (the "Corporation") has called an Annual and Special General Meeting of Shareholders on Wednesday, December 13, 2006 at 10:00 a.m. (Vancouver time) (the "Meeting") at the Delta Vancouver Suites, 550 West Hastings Street, Vancouver, British Columbia.

As a Shareholder, you are entitled to attend the Meeting and to cast one vote for each common share that you own. If you are a registered Shareholder and are unable to attend the Meeting, you will still be able to vote by completing the proxy form included with the Management Information Circular (the "Circular"). The Circular explains how to complete the proxy form and how the voting process works. **In order to vote at the Meeting, registered Shareholders must submit the proxy form to the Corporation's transfer agent, Computershare Investor Services Inc. ("Computershare") at its Toronto offices no later than 1:00 p.m. (Toronto time) on Monday, December 11, 2006.**

If you are a non-registered beneficial Shareholder, a proxy form will not usually be included with the Circular; instead, a voting information form (also known as a VIF) is usually enclosed. You must follow the instructions provided by your intermediary in order to vote your shares.

The following business will be conducted at the Meeting:

1. to receive the audited financial statements of the Corporation for its fiscal year ended August 31, 2006 and the report of the auditors thereon;
2. to appoint an auditor of the Corporation for the coming year and to authorize the Board of Directors to fix the auditors' remuneration;
3. to elect the directors of the Corporation;
4. to consider and approve, by ordinary resolution, the continuation and the amendment and restatement of the Shareholder Rights Plan of the Corporation entered into on December 6, 2000. The full text of this resolution is set out in Schedule "A" to the accompanying Circular;
5. to consider and approve, by ordinary resolution, the amendment of the Corporation's Incentive Stock Option Plan. The full text of this resolution is set out in Schedule "B" to the accompanying Circular; and
6. to transact such other business as may properly come before the Meeting.

DATED at Vancouver, British Columbia, this 14th day of November, 2006.

BY ORDER OF THE BOARD OF DIRECTORS



Glenda M. Dorchak
Chairman and Chief Executive Officer

INTRINSYC SOFTWARE INTERNATIONAL, INC.

MANAGEMENT INFORMATION CIRCULAR

All information in this Management Information Circular (“Circular”) is current as of October 31, 2006 and expressed in Canadian dollars, unless otherwise indicated. Unless otherwise indicated or the context otherwise requires, the “Corporation” refers to Intrinsyc Software International, Inc.

This Circular is being sent by the management of the Corporation to the common shareholders (the “Shareholders”) of INTRINSYC SOFTWARE INTERNATIONAL, INC. in connection with the solicitation of proxies to be voted at the Annual and Special General Meeting of the Shareholders to be held on Wednesday, December 13, 2006 (the “Meeting”) and at any adjournment thereof, at the time and place and for the purposes set out in the Notice of Meeting.

The Circular’s purpose is:

- to explain how you, as a Shareholder of the Corporation, can vote at the Meeting, whether in person or by transferring your vote to someone else to vote on your behalf;
- to request that you authorize the Corporation’s Chairman (or her alternate) to vote on your behalf in accordance with your instructions set out on the proxy form;
- to inform you about the business to be conducted at the Meeting; and
- to give you important background information to assist you in deciding how to vote.

PROXY INFORMATION

SOLICITATION OF PROXIES

Your vote is being solicited by the management of the Corporation.

The Corporation expects that the solicitation will be primarily by mail, but also may include telephone, email, fax or oral solicitations. If the Corporation does not receive your proxy by a certain time you may receive a telephone call asking you to vote. The cost of soliciting proxies is borne entirely by the Corporation.

If you have any questions about this Circular or how to vote, please contact Intrinsyc Investor Relations at +1 (604) 801-6461.

VOTING AND APPOINTMENT OF PROXY

Your rights to attend and vote at the Meeting depend on whether you are a **registered Shareholder** (that is, the shares of the Corporation are actually registered in your name) or a **non-registered beneficial Shareholder** (for example, a person who holds shares of the Corporation through a broker or a bank).

Registered Shareholders

If you are a registered Shareholder, you may attend the Meeting in person. You may also appoint someone (known as a proxyholder) to represent you at the Meeting and vote on your behalf. If you complete and submit the proxy form without alteration, then you will have appointed the Corporation's Chairman (or her alternate) to attend the Meeting and vote on your behalf.

You have the right to appoint a person or company to represent you at the Meeting other than the persons designated in the proxy form. If you wish to appoint some other person or company to represent you at the Meeting, you may do so by striking out the names of the persons designated in the proxy form and inserting the name of the person or company to be appointed in the blank space provided and signing the proxy form.

If you wish to vote at the Meeting by proxy, you must either (a) complete the proxy and return it to the Corporation's transfer agent, Computershare Investor Services Inc. ("Computershare"), or (b) follow the instructions in the proxy to vote by telephone or on the Internet. In order to be valid, the telephone or Internet voting must be completed or the proxy must be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 10:00 a.m. (Vancouver time) on Monday, December 11, 2006, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays and holidays) before the time of such reconvened meeting.

Even if you give a proxy, as a registered Shareholder, you may still attend and vote in person at the Meeting.

Revoking your proxy

A proxy is revocable. If you have given a proxy, you (or your attorney authorized in writing) may revoke the proxy by giving notice of the revocation in writing to Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), at any time up to and including the last business day before the Meeting or to the Chairman of the Meeting before any vote in respect of which the proxy is given.

The notice of the revocation must be signed as follows: (a) if you are an individual, then the notice must be signed by you or your legal personal representative or trustee in bankruptcy and (b) if you are a corporation, then the notice must be signed by the corporation or by a representative appointed for the corporation in accordance with the articles of the corporation.

Non-registered beneficial Shareholders

If your common shares are not registered in your own name, then they are being held in the name of an intermediary (which is usually a trust company, a securities dealer or broker, a bank or another financial institution) or in the name of a clearing agency such as the Canadian Depository for Securities Limited. You are usually called either a non-registered or a beneficial Shareholder or owner. These shareholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

There are various procedures for voting your shares, and these procedures may vary among intermediaries and clearing agencies in ways over which the Corporation has no control. If you are a beneficial Shareholder, you should carefully follow the instructions of the intermediary or clearing agency, including instructions regarding when and where any voting instruction form or proxy form is to be delivered.

Typically, you will receive one of the following:

1. **A COMPUTERSHARE VOTING INSTRUCTION FORM.** This is a form also known as a VIF. If you receive a VIF and wish to vote at the Meeting, you must either (a) complete the VIF and return it to Computershare or (b) follow the instructions in the VIF to vote by telephone or on the Internet. The telephone or Internet voting should be completed or the VIF should be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 10:00 a.m. (Vancouver time) on Monday, December 11, 2006, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays and holidays) before the time of such reconvened meeting. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), you must follow the instructions in the VIF. Unless you follow these instructions you may not be permitted to attend the Meeting in person.
2. **A FACSIMILE SIGNED PROXY.** This is a proxy that has been signed by the intermediary (typically by a facsimile, stamped signature) and already indicates the number of common shares you beneficially own but that is otherwise uncompleted. You do not need to sign this form. If you receive a facsimile signed proxy and you wish to vote at the Meeting, you must properly complete the proxy and deposit it with Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 10:00 a.m. (Vancouver time) on Monday, December 11, 2006, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays and holidays) before the time of such reconvened meeting. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the proxy form and insert your (or such other person's) name in the blank space provided.
3. **AN ADP PROXY FORM.** This is a form of proxy provided by ADP Investor Communications ("ADP") in accordance with arrangements often made by brokers to delegate the responsibility for obtaining voting instructions to ADP. If you receive an ADP proxy form and wish to vote at the Meeting, you must return the ADP proxy form to ADP or follow the instructions on the form for telephone voting. ADP will tabulate the results and then provide instructions to Computershare respecting the voting of shares to be represented at the Meeting. You must return the proxy to ADP or give the telephone voting instructions well in advance of the Meeting in order to have your shares voted. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the proxy form and insert your (or such other person's) name in the blank space provided.

If you have any questions about this Circular or how to vote, please contact Intrinsic Investor Relations at +1 (604) 801-6461.

Revoking your proxy

A non-registered holder may revoke a proxy or voting instruction form which has been given to an intermediary by written notice to the intermediary. In order to ensure that an intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the intermediary well in advance of the Meeting.

PROVISIONS RELATING TO VOTING OF PROXIES

Voting By Show of Hands

Voting at the Meeting generally will be by a show of hands, with each Shareholder or proxyholder present in person being entitled to one vote.

Voting By Poll

Voting at the Meeting will be by poll only if a poll is:

- (a) requested by a Shareholder present at the Meeting in person or by proxy;
- (b) directed by the Chairman; or
- (c) required by law.

On a poll, each Shareholder and each proxyholder will have one vote for each common share held or represented by proxy.

Approval of Resolutions

To approve a motion for an ordinary resolution, a simple majority of the votes cast in person or by proxy will be required.

Exercise of Discretion by Proxyholders

A Shareholder may indicate the manner in which the persons named in the accompanying form of proxy are to vote with respect to a matter to be acted upon at the Meeting by marking the appropriate space. **If the instructions as to voting indicated in the proxy are certain, the shares represented by the proxy will be voted or withheld from voting in accordance with the instructions given in the proxy.**

If the Shareholder specifies a choice in the proxy with respect to a matter to be acted upon, then the shares represented will be voted or withheld from the vote on that matter accordingly. If no choice is specified in the proxy with respect to a matter to be acted upon, the proxy confers discretionary authority with respect to that matter upon the proxyholder named in the accompanying form of proxy. It is intended that the proxyholder named by management in the accompanying form of proxy will vote the shares represented by the proxy in favour of each matter identified in the proxy and for the nominees of the Corporation's Board of Directors for directors and auditor.

The accompanying form of proxy also confers discretionary authority upon the named proxyholder with respect to amendments or variations to the matters identified in the accompanying Notice of Meeting and with respect to any other matters which may properly come before the Meeting. As of the date of this Circular, management of the Corporation is not aware of any such amendments or variations, or any other matters, that will be presented for action at the Meeting other than those referred to in the accompanying Notice of Meeting. If, however, other matters that are not now

known to management properly come before the Meeting, then the persons named in the accompanying form of proxy intend to vote on them in accordance with their best judgment.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On October 31, 2006, the Corporation had 83,043,369 issued and outstanding common shares. Each share carries one right to one vote.

The Board of Directors of the Corporation have fixed October 31, 2006 as the record date for determining which Shareholders are entitled to vote at the Meeting. If a Shareholder sells some or all of the common shares that he or she owns after the record date, the person who purchased the common shares will become a Shareholder of the Corporation but may only vote at the Meeting if he or she has asked the Corporation's transfer agent, Computershare, to include his or her name on the list of Shareholders eligible to vote at the Meeting. This request must be made at least 10 days before the Meeting.

To the knowledge of the directors or senior officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to the Corporation's issued and outstanding common shares, as at the date hereof.

MATTERS TO BE CONSIDERED AT THE MEETING

PRESENTATION OF FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended August 31, 2006, together with the report of the auditors thereon, will be placed before the Meeting. A copy of the Corporation's 2006 Annual Report accompanies this Circular and additional copies may be obtained from the Corporation, at 10th floor, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8.

APPOINTMENT OF AUDITORS

The Board of Directors of the Corporation recommends the appointment of Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next Annual General Meeting of Shareholders at a remuneration to be fixed by the Board of Directors. Ernst & Young LLP, Chartered Accountants, were first appointed as auditors of the Corporation at the Annual General Meeting of the Shareholders held on December 11, 2003.

The persons named in the enclosed form of proxy, unless directed by the Shareholder completing the proxy to abstain from doing so, intend to vote for the appointment of Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next Annual General Meeting of Shareholders at a remuneration to be fixed by the Board of Directors of the Corporation.

ELECTION OF DIRECTORS

The persons named below are the nominees of management for election as directors. Each director elected will hold office until his successor is elected or appointed, unless his office is earlier vacated under any of the relevant provisions of the by-laws of the Corporation or the *Canada Business Corporations Act*. It is the intention of the persons named as proxyholders in the enclosed form of proxy to vote for the election to the Board of Directors the persons named below. The management of the Corporation does not contemplate that any of such nominees will be unable to serve as a director; however, if for any reason any of the proposed nominees do not stand for election or are

unable to serve as such, PROXIES IN FAVOUR OF MANAGEMENT DESIGNEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING FOR THE ELECTION OF DIRECTORS.

The following table sets out the name of each of the persons proposed to be nominated for election as a director and the name of each of the persons whose term of office, if elected, shall continue after the Meeting; all positions and offices in the Corporation presently held by that person; that person's principal occupation at present; the period(s) during which that person has served as a director; and the number of shares of the Corporation that that person has advised are beneficially owned by him or her, directly or indirectly, or over which control or direction is exercised. The additional biographical information following the table sets out each person's principal occupation within the five preceding years.

Nominees for Election to the Board of Directors

Name and residence	Position with the Corporation	Principal occupation	Director since	Shares owned
Glenda M. Dorchak ⁽¹⁾ California, United States	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Corporation	31 Jul 2006	40,000 common shares 850,000 stock options
Vincent P. Schiralli British Columbia, Canada	President, Chief Operating Officer, and Director	President and Chief Operating Officer of the Corporation	14 Apr 2003	192,461 common shares 600,000 stock options
Thomas Bitove ⁽³⁾⁽⁴⁾ Ontario, Canada	Director	Corporate Director	15 Dec 2005	404,300 common shares 100,000 stock options
George A. Duguay ⁽²⁾⁽³⁾ Ontario, Canada	Director	President of G. Duguay Services Inc.	14 Apr 2003	221,375 common shares 150,000 stock options
Robert J. Gayton ⁽²⁾⁽⁴⁾ British Columbia, Canada	Director	Corporate Director	23 Feb 1995	20,000 common shares 85,000 stock options
Andrew J. McLeod British Columbia, Canada	Director Nominee	Partner of Blakes, Cassels & Graydon LLP (Vancouver office)	Director Nominee	200 common shares Nil stock options

Note:

- (1) Ms. Dorchak's tenure as Chairman and CEO began on July 31, 2006.
- (2) Member, Audit Committee.
- (3) Member, Compensation Committee.
- (4) Member, Corporate Governance and Nominating Committee.
- (5) This information has been furnished by the respective individuals as at October 31, 2006.

One director of the Corporation will not be standing for re-election at the Meeting. Mark McQueen, member of the Audit, Compensation, and Corporate Governance and Nominating Committees resigned from the Board of Directors on November 10, 2006 and will not be standing for re-election at the Meeting. The various committees will be reconstituted following the Meeting.

Background of the Nominees

Set forth below is a brief profile of each of the nominees for election as a director of the Corporation. Other than as set forth below, each nominee has held the same principal occupation for the last five years.

Glenda M. Dorchak is the Chairman of the Board and Chief Executive Officer of the Corporation. Prior to joining Intrinsyc, Ms. Dorchak drove the strategic direction and product development for embedded communications and consumer electronics devices as the Vice President & General Manager of Intel Corporation's Consumer Electronics Group. Ms. Dorchak joined Intel in 2001 as Vice President and COO of its Communications Group playing a leading role in the consolidation of Intel's many communications technology businesses. Prior to her tenure at Intel, Ms. Dorchak served as Chairman and CEO of Value America, Inc., a leading online retailer that pioneered the sale of consumer products on the Internet. Ms. Dorchak began her career with IBM Canada in Vancouver, B.C., in 1974 and remained with IBM in Canada and the U.S. for over 20 years. She served in a variety of executive positions in sales, marketing and planning, including director of PC Direct and PC worldwide customer relationship marketing executive. Ms. Dorchak served as an independent Director on the Board of the Corporation in 2004 and 2005.

Ms. Dorchak is not a director of any public companies other than Intrinsyc. Ms. Dorchak attended four meetings or 100% of eligible meetings of the Board of Directors held between September 1, 2005 and August 31, 2006.

Vincent P. Schiralli is President and Chief Operating Officer of the Corporation. Mr. Schiralli joined the Corporation in April 2003 as a Director and became President and Chief Operating Officer in September 2004 where he is responsible for corporate marketing and business development. He has been working in the software and telecommunications industry since 1968, where he began his career at IBM Canada Ltd. He served 25 years at IBM, holding several different positions including sales, operations and senior management. Mr. Schiralli was the former CEO of Qobra Systems Inc., a Virtual Private Network hardware and software company, and Passport Online Inc., an Internet Service Provider, which was purchased by Primus Telecommunications Canada Inc. in 2002. Mr. Schiralli was also the founder and President of Communitech, an Ontario-based technology association.

Mr. Schiralli is not a director of any public companies other than Intrinsyc. Mr. Schiralli attended 14 meetings or 100% of eligible meetings of the Board of Directors held between September 1, 2005 and August 31, 2006.

Thomas Bitove has a successful history of leadership in several corporate sectors, including the retail technology, hospitality and foodservices industries. Most recently, as Chairman of Wireless Airtime Direct Inc., Mr. Bitove was instrumental in the successful launch of a process that allows customers to use ATM bank machines as point-of-sale terminals. He also currently owns the distribution rights for the Red Bull Energy Drink throughout Ontario, Canada, one of the largest distributors in North America. Between 1989 and 2002, Mr. Bitove was CEO and President of Lettuce Serview LP and its successor companies. He successfully grew the business and sold it, together with the airport foodservice operations, to HMS Host, the world's foremost travel centre and air terminal food services company. Mr. Bitove is a Business and Economics graduate of the University of Western Ontario.

Mr. Bitove is not a director of any public companies other than Intrinsyc. Mr. Bitove attended 10 meetings or 91% of eligible meetings of the Board of Directors held between September 1, 2005 and August 31, 2006.

George A. Duguay is a senior executive with experience in the technology, financial services and resource industries. Since 1988, he has been the President of G. Duguay Services Inc, a partner of Duguay and Ringler Corporate Services until February 2006, and a provider of corporate and financial administrative services to public companies. G. Duguay Services Inc. continues to act as a consultant to Duguay & Ringler Corporate Services. In addition for the past 10 years, he has served as Director of Genesis Microchip Inc., the world's leading supplier of display image processors, and was a founder of Equity Transfer & Trust Company, a provider of transfer agency and corporate trust services. He is presently Corporate Secretary of two public companies. Mr. Duguay is a Certified General Accountant and an associate of the Institute of Chartered Secretaries.

Mr. Duguay is not a director of any public companies other than Intrinsyc. Mr. Duguay attended 13 meetings or 93% of eligible meetings of the Board of Directors held between September 1, 2005 and August 31, 2006.

Robert J. Gayton, Ph.D, FCA, holds a doctorate in Business from the University of California at Berkeley and was a former partner at Peat Marwick Mitchell. Dr. Gayton has directed the accounting and financial matters of public companies in the resource and non-resource fields since 1987 and currently serves as director for 12 public companies, including the Corporation.

Dr. Gayton currently serves as a director of eleven public companies other than Intrinsyc. Dr. Gayton attended 13 meetings or 93% of eligible meetings of the Board of Directors held between September 1, 2005 and August 31, 2006.

Andrew J. McLeod is a partner with the law firm Blake, Cassels & Graydon LLP, based in Vancouver. In addition to providing corporate and securities law advice to the Company, Mr. McLeod acts for numerous companies and investors in the technology and other industries in British Columbia. Mr. McLeod holds a law degree and Masters degree in Business Administration.

Mr. McLeod is not a director of any public companies other than Intrinsyc. Mr. McLeod is a director nominee.

Corporate Cease Trade Orders or Bankruptcies

Except as disclosed in this Circular and below, none of the persons proposed as directors of the Corporation:

- a) is, at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity:
 - (i) was the subject of a cease trade or similar order, or an order that denied the other issuer relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of the cease trade or similar order or an order that denied the relevant

company access to any exemption under securities legislation for a period of more than 30 consecutive days, or

(iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or

b) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the such person.

Vincent P. Schiralli, President and Chief Operating Officer of the Corporation, was the Chief Executive Officer of Qobra Systems Inc. from February 10, 2002 to August 2, 2002. On August 2, 2002, Qobra Systems Inc. filed for bankruptcy.

Glenda M. Dorchak, Chairman and Chief Executive Officer of the Corporation, was the Chief Executive Officer of Value America, a U.S. retailer, from November 1999 to December 2000. In the second quarter of its fiscal 2000 year, Value America filed for bankruptcy protection in the Commonwealth of Virginia. Value America's assets were sold to Merisel Inc. in December 2000.

BUSINESS TO BE CONDUCTED AT THE MEETING

CONTINUED EXISTENCE OF THE SHAREHOLDER RIGHTS PLAN

It is being proposed that the Shareholders of the Corporation approve the amendment and restatement of the Corporation's Shareholder Rights Plan adopted by the Shareholders on December 6, 2000 (the "Rights Plan"). The Rights Plan became effective immediately following approval by the Shareholders and will expire at the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Rights Plan) and the termination of the annual meeting of the Shareholders in the year 2006. The Corporation is asking the Shareholders to approve an amended and restated Shareholder Rights Plan (the "Amended Plan") proposed to be dated December 13, 2006, which is identical to the Rights Plan in all material respects.

The approval of the Amended Plan is subject to approval by the Board of Directors, regulatory approval and Shareholder approval by the Shareholders at the Meeting.

All capitalized terms used without definition under the heading, "Continued Existence of the Shareholder Rights Plan", have the meanings ascribed to them in the Amended Plan unless otherwise indicated. Copies of the Rights Plan and the proposed final form of the Amended Plan may be obtained from the Corporation.

Approval by Shareholders

If the Amended Plan is approved by the Board of Directors, regulatory authorities and by the Shareholders at the Meeting, then the Corporation and Computershare will implement the Amended Plan which will expire at the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Amended Plan) and the termination of the Annual Meeting of the Shareholders in the year 2009 unless at or prior to such meeting the Independent Shareholders ratify the continued existence of the Amended Plan in which case the Amended Plan would remain

in effect until the termination of the Annual Meeting of Shareholders of the Corporation in the year 2012.

The Amended Plan must be approved by ordinary resolution approved by a simple majority of 50% plus one vote of the votes cast by Shareholders who, being entitled to do so, vote in person or by proxy on the resolution.

Recommendation of the Board of Directors

The Board of Directors has determined that the approval of the Amended Plan is in the best interests of the Corporation and the holders of its common shares. The Board of Directors unanimously recommends that the Shareholders vote **IN FAVOUR** of the confirmation and approval of the Amended Plan.

The Corporation has been advised that the directors and senior officers of the Corporation intend to vote all common shares held by them in favour of the confirmation and approval of the Amended Plan.

Background and Objectives of the Rights Plan

The Corporation is a widely-held Corporation with no controlling Shareholder. The Board of Directors considered various strategies, including approval of a Rights Plan, to ensure that, in the context of a bid for control of the Corporation through an acquisition of the Corporation's common shares, Shareholders are in a position to receive full and fair value for their shares. Of particular concern to the Board of Directors is the widely held view that existing Canadian securities legislation provides too short a response time to a corporation that is the subject of an unsolicited bid for control. An inadequate response time has been identified as an impediment to ensuring that Shareholders are offered full and fair value for their shares. Also of concern to the Board of Directors is the possibility that, under existing securities laws, the Corporation's Shareholders could be treated unequally in the context of a bid for control. These concerns are described in more detail below.

The adoption of the Rights Plan on December 6, 2000 and further ratification on December 11, 2003, or the proposed Amended Plan was not, and is not being considered in response to or in anticipation of any pending or threatened takeover bid, nor to deter takeover bids generally. As of the date of this Circular, the Board of Directors was not aware of any third party considering or preparing any proposal to acquire control of the Corporation. Rather, the objectives of the Amended Plan, as with the Rights Plan, are to give adequate time for Shareholders to properly assess a bid without undue pressure, for the Board of Directors to consider value-enhancing alternatives, and to allow competing bids to emerge. In addition, the Amended Plan, as with the Rights Plan, have been designed to provide Shareholders of the Corporation with equal treatment in a bid for control of the Corporation. It is not the intention of the Board of Directors to secure the continuance in office of the existing members of the Board of Directors or to avoid an acquisition of control of the Corporation in a transaction that is fair and in the best interest of Shareholders. The rights of Shareholders under existing law to seek a change in the management of the Corporation or to influence or promote action of management in a particular manner will not be effected by the Amended Plan. The ratification, and approval of the Amended Plan does not affect the duty of the Board of Directors to act honestly and in good faith with a view to the best interest of the Corporation and the Shareholders.

In reviewing the Amended Plan, the Board of Directors considered the following concerns inherent in the existing legislative framework governing takeover bids in Canada:

- (a) *Time.* Current legislation permits a takeover bid to expire in 35 days. The Board of Directors is of the view that this is not sufficient time to permit Shareholders to consider a takeover bid and to make a reasoned and unhurried decision. The Amended Plan provides a mechanism whereby the minimum expiry period for a takeover bid must be 60 days after the date of the bid and the bid must remain open for a further period of 10 Business Days after the Offeror publicly announces that the shares deposited or tendered and not withdrawn constitute more than 50% of the Voting Shares outstanding held by Independent Shareholders (generally, Shareholders other than the Offeror or Acquiring Person, their Associates and Affiliates, the persons acting jointly or in concert with the Offeror or Acquiring Person). The Amended Plan is intended to provide Shareholders with adequate time to properly evaluate the offer and to provide the Board of Directors with sufficient time to explore and develop alternatives for maximizing Shareholder value. Those alternatives could include, if deemed appropriate by the Board of Directors, the identification of other potential bidders, the conducting of an orderly auction or the development of a corporate restructuring alternative which could enhance shareholder value.
- (b) *Pressure to Tender.* A Shareholder may feel compelled to tender to a bid which the Shareholder considers to be inadequate out of concern that failing to tender may result in the Shareholder being left with illiquid or minority discounted shares in the Corporation. This is particularly so in the case of a partial bid for less than all shares of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Voting Shares. The Amended Plan provides a Shareholder approval mechanism in the Permitted Bid provision which is intended to ensure that a Shareholder can separate the tender decision from the approval or disapproval of a particular takeover bid. By requiring that a bid remain open for acceptance for a further 10 Business Days following public announcement that more than 50% of the Voting Shares held by Independent Shareholders have been deposited, a Shareholder's decision to accept a bid is separated from the decision to tender, lessening the undue pressure to tender typically encountered by a Shareholder of a corporation that is the subject of a takeover bid.
- (c) *Unequal Treatment.* While existing securities legislation has substantially addressed many concerns of unequal treatment, there remains the possibility that control of a corporation may be acquired pursuant to a private agreement in which a small group of Shareholders dispose of shares at a premium to market price which premium is not shared with other Shareholders. In addition, a person may slowly accumulate shares through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all Shareholders. The Amended Plan addresses these concerns by applying to all acquisitions of greater than 20% of the Voting Shares, to better ensure that Shareholders receive equal treatment.

General Impact of the Rights Plan

In the past, shareholder rights plans have been criticized by some commentators on the basis that they may serve to deter takeover bids, to entrench management, and to place in the hands of boards of directors, rather than shareholders, the decision as to whether a particular bid for acquisition of control is acceptable. Critics of some shareholder rights plans have also alleged that they cast a needlessly wide net, thereby increasing the likelihood of an inadvertent triggering of the plan, while at the same time deterring shareholders from participating in legitimate corporate governance activities.

The Board of Directors has considered these concerns, and believes that they have been largely addressed in the Amended Plan.

It is not the intention of the Board of Directors to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation. For example, through the Permitted Bid mechanism, described in more detail below, Shareholders may tender to a bid which meets the Permitted Bid criteria without triggering the Amended Plan, regardless of the acceptability of the bid to the Board of Directors. Furthermore, even in the context of a bid that does not meet the Permitted Bid criteria, the Board of Directors will continue to be bound to consider fully and fairly any bid for the Corporation's common shares in any exercise of its discretion to waive application of the Amended Plan or redeem the Rights. In all such circumstances, the Board of Directors must act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders.

The Amended Plan does not preclude any Shareholder from utilizing the proxy mechanism of the *Canada Business Corporations Act* to promote a change in the management or direction of the Corporation, and has no effect on the rights of holders of outstanding voting shares of the Corporation to requisition a meeting of Shareholders, in accordance with the provisions of applicable corporate and securities legislation, or to enter into agreements with respect to voting their common shares. The definitions of "Acquiring Person" and "Beneficial Ownership" have been developed to minimize concerns that the Amended Plan may be inadvertently triggered or triggered as a result of an overly-broad aggregating of holdings of institutional shareholders and their clients.

The Board of Directors believes that the dominant effect of the Amended Plan is to enhance shareholder value, and ensure equal treatment of all Shareholders in the context of an acquisition of control.

The Amended Plan does not interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In addition, the Amended Plan is not dilutive and has not had any effect on the trading of common shares. However, if a Flip-In Event occurs and the Rights separate from the common shares, as described in the summary below, reported earnings per share and reported cash flow per share on a fully-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-In Event may suffer substantial dilution.

Terms of the Amended Plan

All capitalized terms used without definition have the meanings ascribed to them in the Amended Plan.

The following is a summary of the terms of the Amended Plan. The summary is qualified in its entirety by the full text of the Amended Plan, a copy of which is available on request from the Corporation as described above.

- (a) *Issuance of Rights.* One Right will be issued by the Corporation in respect of each common share outstanding at the close of business on the date of implementation of the Rights Plan, and one Right will be issued in respect of each common share of the Corporation issued thereafter, prior to the earlier of the Separation Time and the Expiration Time. Each Right entitles the registered holder thereof to purchase from the Corporation one common share at the exercise price of \$1,000, subject to adjustment and certain anti-dilution provisions (the "Exercise Price"). The Rights are not exercisable until the Separation Time. If a Flip-In Event occurs, each Right will entitle the registered holder to receive, upon payment of the Exercise Price, common shares of the Corporation having an aggregate market price equal to twice the Exercise Price.
- (b) *Trading of Rights.* Until the Separation Time (or the earlier termination or expiration of the Rights), the Rights will be evidenced by the certificates representing the common shares of the Corporation and will be transferable only together with the associated common shares. From and after the Separation Time, separate certificates evidencing the Rights ("Rights Certificates"), together with a disclosure statement prepared by the Corporation describing the Rights, will be mailed to holders of record of common shares (other than an Acquiring Person) as of the Separation Time. Rights Certificates will also be issued in respect of common shares issued prior to the Expiration Time, to each holder (other than an Acquiring Person) converting, after the Separation Time, securities ("Convertible Securities") convertible into or exchangeable for common shares. The Rights will trade separately from the common shares after the Separation Time.
- (c) *Separation Time.* The Separation Time is the Close of Business on the tenth Business Day after the earlier of (i) the "Stock Acquisition Date", which is generally the first date of public announcement of facts indicating that a Person has become an Acquiring Person; (ii) the date of the commencement of, or first public announcement of the intent of any Person to commence a Take-over Bid; and (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid. In either case, the Separation Time can be such later date as may from time to time be determined by the Board of Directors. If a Take-over Bid expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, it shall be deemed never to have been made.
- (d) *Acquiring Person.* In general, an Acquiring Person is a Person who is the Beneficial Owner of 20% or more of the Corporation's outstanding Voting Shares. Excluded from the definition of "Acquiring Person" are the Corporation and its Subsidiaries, and any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or more or any combination of an acquisition or redemption by the Corporation of Voting Shares, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition and a Pro Rata Acquisition. The definitions of "Permitted Bid Acquisition", "Exempt Acquisition", "Convertible Security Acquisition" and "Pro Rata Acquisition" are set out in the Shareholder Rights Plan Agreement. However, in general:

- (i) a “Permitted Bid Acquisition” means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (ii) an “Exempt Acquisition” means a share acquisition in respect of which the Board of Directors has waived the application of the Rights Plan;
- (iii) a “Convertible Security Acquisition” means an acquisition of Voting Shares upon the exercise of Convertible Securities received by such Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Pro Rata Acquisition; and
- (iv) a “Pro Rata Acquisition” means an acquisition of Voting Shares of Convertible Securities as a result of a stock dividend, a stock split or other similar event, acquired on the same pro rata basis as all other holders of Voting Shares.

Also excluded from the definition of “Acquiring Person” are underwriters or members of a banking or selling group acting in connection with a distribution of securities by way of prospectus or private placement, and a Person in its capacity as an Investment Manager, Trust Company, Plan Trustee, Statutory Body or Crown agent or agency (provided that such person is not making or proposing to made a Take-over Bid).

- (e) *Beneficial Ownership.* In general, a Person is deemed to beneficially own common shares actually held by others in circumstances where those holdings are or should be grouped together for purposes of the Rights Plan. Included are holdings by the Person’s Affiliates (generally, a person that controls, is controlled by, or under common control with another person) and Associates (generally, relatives sharing the same residence). Also included are securities which the Person or any of the Person’s Affiliates or Associates has the right to acquire within 60 days (other than (1) customary agreements with and between underwriters and/or banking group and/or selling group members with respect to a public offering of securities; or (2) pursuant to a pledge of securities).

A Person is also deemed to “Beneficially Own” any securities that are beneficially owned (as described above) by any other Person with which the Person is acting jointly or in concert (a “Joint Actor”). A Person is a Joint Actor with any Person who is a party to an agreement, arrangement or understanding with the first Person or an Associate or Affiliate thereof for the purpose of acquiring or offering to acquire common shares.

The definition of “Beneficial Ownership” contains several exclusions whereby a Person is not considered to “Beneficially Own” a security. There are exemptions from the deemed “Beneficial Ownership” provisions for institutional Shareholders acting in the ordinary course of business. These exemptions apply to (i) an investment manager (“Investment Manager”) which holds securities in the ordinary course of business in the performance of its duties for the account of any other Person (a “Client”); (ii) a licensed trust company (“Trust Company”) acting as a trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent persons (each an “Estate Account”) or in relation to other accounts (each an “Other Account”) and which holds such security in the ordinary course of its duties for such accounts; (iii) the administrator or the trustee (a “Plan Trustee”) of one or more pension funds or plans (a “Plan”) registered under applicable law; (iv) a Person who is a Plan or is a Person established by statute (the “Statutory Body”), and its ordinary business or activity includes the management of investment funds for employee benefit plans, pension plans, insurance plans, or various public bodies, or (v) a Crown agent or agency. The foregoing exemptions only apply so long as the Investment Manager, Trust Company, Plan

Trustee, Plan, Statutory Body or Crown agent or agency is not then making or has not then announced an intention to made a Take-over Bid, other than an offer to Acquire Voting Shares or other securities pursuant to a distribution by the Corporation or by means of ordinary market transactions.

A Person will not be deemed to “Beneficially Own” a security because (i) the Person is a Client of the same Investment Manager, an Estate Account or an Other Account of the same Trust Company, or Plan with the same Plan Trustee as another Person or Plan on whose account the Investment Manager, Trust company or Plan Trustee, as the case may be, holds such security; or (ii) the Person is a Client of an Investment Manager, Estate Account, Other Account or Plan, and the security is owned at law or in equity by the Investment Manager, Trust company or Plan Trustee, as the case may be.

Under the Rights Plan, a Person will not be deemed to “Beneficially Own” any security where the holder of such security has agreed to deposit or tender such security pursuant to a Permitted Lock-up Agreement to a Take-over bid made by such Person or such Person’s Affiliates or Associates of Joint Actor, or such security has been deposited or tendered pursuant to a Take-over Bid made by such Person or such Person’s Affiliates, Associates or Joint Actors until the earliest time at which any such tendered security is accepted unconditionally for payment or is take up or paid for.

A Permitted Lock-up Agreement is essentially an agreement between a Person and one or more holders of Voting Shares (the terms of which are publicly disclosed, reduced to writing and available to the public within the time frames set forth in the definition of Permitted Lock-up Agreement) pursuant to which each Locked-up Person agrees to deposit or tender Voting Shares to the Lock-up Bid and which further provides that such agreement permits the Locked-up Person to withdraw its Voting Shares in order to deposit or tender the Voting Shares to another Take-Over Bid or support another transaction: (i) at a price or value that exceeds the price under the Lock-Up Bid; or (ii) is for a number of Voting Shares at least 7% greater than the number of Voting Shares under the Lock-Up Bid at a price or value that is not less than the price or value offered in the Lock-up Bid; or (iii) that contains an offering price that exceeds the offering price in the Lock-up Bid by as much as or more than a Specified Amount and does not provide for a Specified Amount greater than 7% of the offering price in the Lock-up Bid. A permitted Lock-up Agreement may contain a right of first refusal or require a period of delay to give the Person who made the Lock-up Bid an opportunity to match a higher price in another Take-Over Bid or other similar limitation on a Locked-up Person’s right to withdraw Voting Shares so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares during the period of the other Take-Over Bid or transaction. Finally, under a Permitted Lock-up Agreement no “break up” fees, “top up” fees, penalties, expenses or other amounts that exceed in aggregate the greater of (i) 2½% of the price or value of the consideration payable under the Lock-up Bid; and (ii) 50% of the amount by which the price or value of the consideration received by a Locked-up Person under another Take-Over Bid or transaction exceeds what such Locked-up Person would have received under the Lock-up Bid can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender Voting Shares to the Lock-up Bid or withdraws Voting Shares previously tendered thereto in order to deposit such Voting Shares to another Take-Over Bid or support another transaction.

- (f) *Flip-In Event.* A Flip-In Event occurs when any Person becomes an Acquiring Person. In the event that, prior to the Expiration Time, a Flip-In Event which has not been waived by the Board of Directors occurs (see “Redemption, Waiver and Termination”), each Right (except for Rights Beneficially Owned or which may thereafter be Beneficially Owned by an Acquiring Person or a transferee of such a Person, which Rights will become null and void) shall

constitute the right to purchase from the Corporation, upon exercise thereof in accordance with the terms of the Rights Plan, that number of common shares having an aggregate Market Price on the date of the Flip-In Event equal to twice the Exercise Price, for the Exercise Price (such Right being subject to anti-dilution adjustments). For example, if at the time of the Flip-In Event the Exercise Price is \$1,000 and the Market Price of the common shares is \$200, the holder of each Right would be entitled to purchase common shares having an aggregate Market Price of \$2,000 (that is, 10 common shares) for \$1,000 (that is, a 50% discount from the Market Price).

- (g) *Permitted Bid and Competing Permitted Bid.* A Permitted Bid is a Take-over Bid made by way of a Take-over Bid circular and which complies with the following additional provisions:
- (i) the Take-over Bid is made to all holders of record of Voting Shares as registered on the books of the Corporation, other than the Offeror;
 - (ii) the Take-over Bid contains irrevocable and unqualified conditions that:
 - (a) no Voting Share shall be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 60 days following the date of the Take-over Bid and the provisions for the take-up and payment for Voting Shares tendered or deposited there under shall be subject to such irrevocable and unqualified condition;
 - (b) unless the Take-over Bid is withdrawn, Voting Shares may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date of first take-up or payment for Voting Shares and all Voting Shares deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such dates;
 - (c) more than 50% of the outstanding Voting Shares held by Independent Shareholders must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Voting Shares; and
 - (d) in the event that more than 50% of the then outstanding Voting Shares held by Independent Shareholders have been deposited to the Take-over Bid and not withdrawn as at the date of first take-up or payment for Voting Shares under the Take-over Bid, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares for not less than 10 Business Days from the date of such public announcement.

A Competing Permitted Bid is a take-over Bid that is made after a Permitted Bid has been made but prior to its expiry, satisfies all the requirements of a Permitted Bid as described above, except that a Competing Permitted Bid is not required to remain open for 60 days so long as it is open until the later of (i) the earliest date on which common shares may be taken-up or paid for under any earlier Permitted Bid or Competing Permitted Bid that is in existence and (ii) 35 days (or such other minimum period of days as may be prescribed by applicable law in British Columbia) after the date of the Take-over Bid constituting the Competing Permitted Bid.

(h) *Redemption, Waiver and Termination.*

(i) Redemption of Rights on Approval of Holders of Voting Shares and Rights.

The Board of Directors acting in good faith may, after having obtained the prior approval of the holders of Voting Shares or Rights, at any time prior to the occurrence of a Flip-In Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right, appropriately adjusted for anti-dilution as provided in the Shareholder Rights Plan Agreement (the "Redemption Price").

(ii) Waiver of Inadvertent Acquisition.

The Board of Directors acting in good faith may waive the application of the Rights Plan in respect of the occurrence of any Flip-In Event if (a) the Board of Directors has determined that a Person became an Acquiring Person under the Rights Plan by inadvertence and without any intent or knowledge that it would become an Acquiring Person; and (b) the Acquiring Person has reduced its Beneficial Ownership of Voting Shares such that at the time of waiver the Person is no longer an Acquiring Person.

(iii) Deemed Redemption.

In the event that a Person who has made a Permitted Bid or a Take-over Bid in respect of which the Board of Directors has waived or has deemed to have waived the application of the Rights Plan consummates the acquisition of the Voting Shares, the Board of Directors shall be deemed to have elected to redeem the Rights for the Redemption Price.

(iv) Discretionary Waiver with Mandatory Waiver of Concurrent Bids.

The Board of Directors acting in good faith may, prior to the occurrence of the relevant Flip-In Event as to which the Rights Plan has not been waived under this clause, upon prior written notice to the Rights Agent, waive the application of the Rights Plan to a Flip-In Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all holders of record of Voting Shares. However, if the Board of Directors waives the application of the Rights Plan, the Board of Directors shall be deemed to have waived the application of the Rights Plan in respect of any other Flip-In Event occurring by reason of such a Take-over Bid made prior to the expiry of a bid for which a waiver is, or is deemed to have been, granted.

(v) Discretionary Waiver respecting Acquisition not by Take-over Bid Circular.

The Board of Directors acting in good faith may, with the prior consent of the holders of Voting Shares, determine, at any time prior to the occurrence of a Flip-In Event as to which the application of the Rights Plan has not been waived, if such Flip-In Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a Take-over Bid circular to holders of Voting Shares and otherwise than by inadvertence when such inadvertent Acquiring Person has then reduced its holdings to below 20%, to waive the application of the Rights Plan to such Flip-In Event. However, if the Board of Directors waives the application of the Rights Plan, the Board of Directors shall extend the Separation Time to a date

subsequent to and not more than 10 Business Days following the meeting of Shareholders called to approve such a waiver.

(vi) **Redemption of Rights on Withdrawal or Termination of Bid.**

Where a Take-over Bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-In Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price.

If the Board of Directors is deemed to have elected or elects to redeem the Rights as described above, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights is to receive the Redemption Price. Within 10 Business Days of any such election or deemed election to redeem the Rights, the Corporation will notify the holders of the Voting Shares or, after the Separation Time, the holders of the Rights.

(i) ***Anti Dilution Adjustments.*** The Exercise Price of a Right, the number and kind of shares subject to purchase upon exercise of a Right, and the number of Rights outstanding, will be adjusted in certain events, including:

- (i) if there is a dividend payable in Voting Shares or Convertible Securities (other than pursuant to any optional stock dividend program or dividend reinvestment plan or a dividend payable in Voting Shares in lieu of a regular periodic cash dividend) on the common shares, or a subdivision or consolidation of the common shares, or an issuance of common shares or Convertible Securities in respect of, in lieu of or in exchange for common shares; or
- (ii) if the Corporation fixes a record date for the distribution to all holders of common shares of certain rights or warrants to acquire common shares or Convertible Securities, or for the making of a distribution to all holders of common shares of evidences of indebtedness or assets (other than regular periodic cash dividends or stock dividends payable in common shares) or rights or warrants.

(j) ***Supplements and Amendments.*** Changes that the Board of Directors acting in good faith, determines are necessary to maintain the validity of the Rights Plan as a result of any change in any applicable legislation, rules or regulation may be made subject to subsequent confirmation by the holders of the common shares or after the Separation Time, Rights. The Corporation may make amendments to correct any clerical or typographical error.

Subject to the above exceptions, after the Meeting, any amendment, variation or deletion of or from the Rights Plan and the Rights, is subject to the prior approval of the holders of common shares, or, after the Separation Time, the holders of the Rights.

The Board of Directors reserves the right to supplement, amend, vary, rescind or delete any terms of or not to proceed with the Rights Plan at any time prior to the Meeting in the event that the Board of Directors determines that it would be in the best interests of the Corporation and its Shareholders to do so, in light of subsequent developments.

(l) ***Expiration.*** If the Rights Plan is confirmed and approved at the Meeting, it will become effective immediately following such approval and remain in force until the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Rights Plan) and the termination of the annual meeting of the Shareholders in the year

2009 unless at or prior to such meeting the Independent Shareholders ratify the continued existence of the Rights Plan in which case the Rights Plan would remain in effect until the termination of the annual meeting of Shareholders of the Corporation in the year 2012.

Canadian Federal Income Tax Consequences

While the matter is not free from doubt, the issue of the Rights may be a taxable benefit which must be included in the income of Shareholders. However, no amount must be included in income if the Rights do not have a monetary value at the date of issue. The Corporation considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised.

Assuming that the Rights have no value, Shareholders will not be required to include any amount in income or be subject to withholding tax under the Income Tax Act (Canada) (the "Tax Act") as a result of the issuance of the Rights. The Rights will be considered to have been acquired at no cost.

The holders of Rights may have income or be subject to withholding tax under the Tax Act if the Rights are exercised or otherwise disposed of.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular Shareholder. Shareholders are advised to consult their own tax advisers regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable foreign or provincial legislation.

United States Federal Income Tax Consequences

As the possibility of the rights becoming exercisable is both remote and speculative, the adoption of the Amended Plan will not constitute the distribution of stock or property by the Corporation to its Shareholders, an exchange of property or stock, or any other event giving rise to the realization of gross income by any Shareholder. **The holder of Rights may have taxable income if the Rights become exercisable or are exercised or sold. In the event the Rights become exercisable, Shareholders should consult their own tax advisor concerning the consequences of acquiring, holding, exercising or disposing of their Rights.**

Eligibility for Investment in Canada

The Rights are qualified investments under the Tax Act for registered retirement savings plans ("RRSP's"), registered retirement income funds ("RRIF's"), and deferred profit sharing plans ("DPSP's"), and will not constitute foreign property of any such plan or any other taxpayer subject to Part XI of the Act, provided that the common shares continue to be qualified investments that are not foreign property for such plans.

The issuance of the Rights will not affect the eligibility of the common shares on the Effective Date as investments for investors governed by certain Canadian federal and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

The Corporation is therefore requesting its Shareholders to pass an ordinary resolution. The full text of the resolution to approve the Amended Plan is set out in Schedule "B" to this Circular.

The directors of the Corporation believe the passing of the ordinary resolution is in the best interests of the Corporation and recommend that Shareholders vote in favour of the resolution.

The persons named in the enclosed form of proxy, unless directed by the Shareholder completing the proxy to abstain from doing so, intend to vote for the approval of the Amended Plan.

The Corporation has been advised that the directors and senior officers of the Corporation intend to vote all common shares held by them in favour of the confirmation and approval of the continued existence of the Rights Plan.

AMENDMENT TO THE INCENTIVE STOCK OPTION PLAN

Background

The Shareholders and directors of the Corporation have previously approved the current Incentive Stock Option Plan (the "Incentive Plan") under which directors, officers, employees and consultants of the Corporation may be granted stock options to acquire common shares. The Corporation adopted and Shareholders approved this Incentive Plan on April 4, 1997 and it was amended with Shareholder approval on December 31, 1997, March 30, 1998, December 6, 2000, April 5, 2001, December 6, 2001 and December 5, 2002. The principal purpose of the Incentive Plan is to provide a competitive and effective means to give Corporation personnel the opportunity to purchase stock in the Corporation. Granting equity is intended to assist the Corporation in attracting, retaining and motivating high calibre personnel whose contributions are important to the success of the Corporation.

Proposed Amendment to the Incentive Plan

At present, the Incentive Plan provides a maximum number of shares which may be issued of 11,095,774. Previously granted stock options have been exercised from time to time for the issuance of an aggregate of 4,109,024 common shares which, under the terms of the Incentive Plan, reduce the maximum number of shares that may be issued to 6,986,750 (being 8.4% of the currently issued and outstanding shares). Of these, 6,297,245 options (being 8.0% of the currently issued and outstanding shares) have been issued as at October 31, 2006, leaving a balance available for issue of 689,505.

In order for the Corporation to use the Incentive Plan for the purpose described above, the Board of Directors would like to amend the Incentive Plan by increasing the number of shares which may be issued by 2,300,000. This will result in the Corporation having an aggregate maximum number of common shares which it may issue or reserve for issuance under the Incentive Plan of 13,395,774. When reduced by the previously exercised 4,109,024 options, this leaves 9,286,750 shares which can be granted under the Incentive Plan, being 11.2% of the presently issued and outstanding shares of the Corporation, of which 6,297,245 have been issued, thereby leaving a balance available for issuance of 2,989,505.

At its meeting held November 7, 2006, the Board of Directors of the Corporation unanimously approved, subject to shareholder approval of the proposed amendment to the Incentive Plan set out herein, a 2006 compensation plan pursuant to which 965,000 options will be issued to employees as incentives pursuant to the Incentive Plan.

The Board of Directors would also like to amend the Incentive Plan to ensure its compliance with certain recent amendments to Toronto Stock Exchange Policies and to correct certain anomalies. The proposed amendments to the Incentive Plan are indicated in the copy of the Amended and Restated Plan attached to this Circular as Schedule "C".

The proposed Amended and Restated Plan must be approved by a majority of not less than 50% of the votes cast by shareholders who, being entitled to do so, vote in person or by proxy on the resolution.

The full text of the resolution to amend the Incentive Plan is set out in Schedule “B” to this Circular.

Recommendation of the Directors

The Board of Directors of the Corporation has unanimously concluded that the proposed amendment to the Incentive Plan is in the best interest of the Corporation and its Shareholders, and recommends that Shareholders vote **IN FAVOUR** of the resolution to amend the Incentive Plan.

The Corporation has been advised that the directors and senior officers of the Corporation intend to vote all common shares held by them in favour of the amendment of the Incentive Plan.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The information regarding the Audit Committee required to be disclosed by Multilateral Instrument 52-110 – *Audit Committees* is detailed in Item 12 of the Corporation’s Annual Information Form dated November 14, 2006, which is available from the Corporation or on SEDAR at www.sedar.com.

EXECUTIVE COMPENSATION

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table sets out all compensation paid in respect of the individuals who were, at August 31, 2006, the Corporation's Chief Executive Officer, Chief Financial Officer, and the Corporation's three most highly compensated executive officers (the "Named Executive Officers") as defined under British Columbia securities laws whose total salary and bonus exceeded \$150,000 during the periods indicated.

SUMMARY COMPENSATION TABLE

Name and principal position at 31 Aug 2006	Year	Annual compensation			Long-term compensation		Payments	All other compensation
		Salary	Bonus	Other	Securities under options granted (#)	Shares or units subject to resale restrictions		
Glenda Dorchak ⁽¹⁾ CEO	2006	\$ 28,908	\$ 27,633	\$ 180 ⁽³⁾	850,000	\$ -	\$ -	\$ -
	2005	-	-	-	-	-	-	-
	2004	-	-	-	-	-	-	-
Derek Spratt ⁽¹⁾ Former CEO & Consultant	2006	\$ 205,926	\$ -	\$ 1,980 ⁽³⁾	100,000	\$ -	\$ -	\$ 300,000 ⁽¹⁾
	2005	225,000	94,250	2,040 ⁽³⁾	125,000	-	-	-
	2004	189,583	88,000	-	120,000	-	-	-
Andrew Morden CFO	2006	\$ 183,333	\$ 40,000	\$ 2,160 ⁽³⁾	105,000	\$ -	\$ -	\$ -
	2005	161,846	45,500	2,040 ⁽³⁾	120,000	-	-	-
	2004	-	-	-	-	-	-	-
Vincent Schiralli President & COO	2006	\$ 200,000	\$ 30,000	\$ 3,240 ⁽³⁾	100,000	\$ -	\$ -	\$ -
	2005	181,250	113,000	2,610 ⁽³⁾	100,000	-	-	-
	2004	175,000	58,000	48,575 ⁽²⁾	100,000	-	-	-
David Manuel EVP Engineering Services Group	2006	\$ 166,667	\$ 57,000	\$ 22,526 ⁽³⁾⁽⁴⁾	100,000	\$ -	\$ -	\$ -
	2005	150,000	56,250	37,291 ⁽³⁾⁽⁴⁾	75,000	-	-	-
	2004	150,000	31,000	21,486 ⁽⁴⁾	70,000	-	-	-
Randy Kath CTO & VP Mobile Products Group	2006	\$ 185,355	\$ 34,179	\$ -	150,000	\$ -	\$ -	\$ -
	2005	144,165	66,464	-	175,000	-	-	-
	2004	-	-	-	-	-	-	-

Notes:

- (1) Mr. Spratt's tenure as CEO ended on July 31, 2006 and on that date \$300,000 in compensation became payable to him. He was succeeded by Ms. Dorchak on July 31, 2006. Mr. Spratt continues to be employed by the Corporation as a Consultant.
- (2) Mr. Schiralli received reimbursement for relocation expenses in fiscal 2004.
- (3) Parking benefits.
- (4) Commissions based on the achievement of revenue targets.

STOCK OPTIONS TO PURCHASE SECURITIES

The following table sets out all options granted to the Named Executive Officers during the most recently completed financial year.

OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name	Number of securities under options granted	% of total options granted to employees in financial year	Exercise or base price	Market value of securities underlying options on the date of grant	Expiration date
Glenda Dorchak ⁽¹⁾ CEO	850,000	29.25%	\$0.87	\$0.87	July 21, 2011
Derek Spratt ⁽¹⁾ Former CEO	100,000	3.44%	\$1.26	\$1.26	February 8, 2011
Andrew Morden CFO	30,000 75,000	1.03% 2.58%	\$0.66 \$1.26	\$0.66 \$1.26	September 15, 2010 February 8, 2011
Vincent Schiralli President & COO	100,000	3.44%	\$1.26	\$1.26	February 8, 2011
David Manuel EVP Engineering Services Group	100,000	3.44%	\$1.26	\$1.26	February 8, 2011
Randy Kath CTO & VP Mobile Products Group	150,000	5.16%	\$1.26	\$1.26	February 8, 2011

Note:

(1) Mr. Spratt's tenure as CEO ended on July 31, 2006 and on that date \$300,000 in compensation became payable to him. He was succeeded by Ms. Dorchak on July 31, 2006. Mr. Spratt continues to be employed by the Corporation as a Consultant.

The following table sets out the aggregate options exercised by the Named Executive Officers during the most recently completed financial year and the aggregate financial year-end value of unexercised options.

AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR END OPTION/SAR VALUES

Name	Securities acquired on exercise (#)	Aggregate value realized on the date of exercise (\$)	Unexercised options at year end (#)		Value of unexercised in the money options at year end ⁽¹⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Glenda Dorchak ⁽²⁾ CEO	Nil	Nil	Nil	850,000	\$Nil	\$Nil
Derek Spratt ⁽²⁾ Former CEO	Nil	Nil	657,917	182,083	\$11,667	\$8,333
Andrew Morden CFO	Nil	Nil	57,500	167,500	\$6,533	\$5,267
Vincent Schiralli President & COO	Nil	Nil	433,333	166,667	\$28,333	\$6,667
David Manuel EVP Engineering Services Group	Nil	Nil	174,583	145,417	\$5,688	\$4,063
Randy Kath CTO & VP Mobile Products Group	Nil	Nil	102,083	222,917	\$14,583	\$10,417

Note:

- (1) In the Money Options are those where the market value of the underlying securities as at the most recent fiscal year end exceeds the option exercise price. The closing market price of the Corporation's common shares on the TSX as at August 31, 2006 (i.e. fiscal year end) was \$0.68.
- (2) Mr. Spratt's tenure as CEO ended on July 31, 2006 and on that date \$300,000 in compensation became payable to him. He was succeeded by Ms. Dorchak on July 31, 2006. Mr. Spratt continues to be employed by the Corporation as a Consultant.

**EMPLOYMENT, TERMINATION OF EMPLOYMENT AND CHANGE IN RESPONSIBILITIES
CONTRACTS AT AUGUST 31, 2006**

The Corporation entered into an at will employment relationship with Glenda Dorchak made effective July 31, 2006, pursuant to which she acts as the Corporation's Chief Executive Officer and Chairman of the Board of Directors. The agreement provides that Ms. Dorchak will receive an annual base salary of \$300,000 USD and is eligible to receive a performance bonus of up to \$175,000 USD. The payment of the performance bonus will be dependent upon Ms. Dorchak achieving objective performance standards mutually agreed between her and the Corporation's Board of Directors. In the first year the bonus will be paid in full in order to permit Ms. Dorchak to establish appropriate objectives for subsequent years. Ms. Dorchak also received a signing bonus of \$25,000 USD. Ms. Dorchak's employment is at will; however, if Ms. Dorchak's employment is terminated without cause she will receive one-year salary plus benefits as severance and 50% of all outstanding unvested stock options shall immediately vest. If a change in control occurs and Ms. Dorchak's employment is terminated within 12 months, she will receive 18 months salary as severance, and all outstanding unvested stock options shall immediately vest.

The Corporation entered into a separation agreement with Derek Spratt effective July 31, 2006, at which date Mr. Spratt agreed to step down as the Corporation's Chief Executive Officer and became a consultant to the Corporation. Mr. Spratt will receive \$300,000, paid in two equal instalments, the first of which was paid in August 2006. Mr. Spratt's stock options continue to vest, and vested stock options continue to be exercisable. Until July 31, 2006, Mr. Spratt was employed as Chief Executive Officer pursuant to an employment agreement effective January 1, 2004. The original agreement provided that Mr. Spratt would receive an annual base salary of \$225,000 and was eligible to receive a performance bonus of up to \$150,000 based on the achievement of specific objectives. That agreement provided for severance payments totalling \$300,000.

The Corporation entered into an employment agreement with Vincent Schiralli effective January 1, 2004, pursuant to which he acts as the Corporation's President and Chief Operating Officer. Mr. Schiralli currently receives an annual base salary of \$200,000 and is eligible to receive a performance bonus of up to \$150,000 based on the achievement of specific objectives. If Mr. Schiralli's employment is terminated without cause he will receive up to 12 months of his annual base salary in lieu of notice of termination of employment. If Mr. Schiralli is terminated without cause within 180 days of the occurrence of a change of control, all of his outstanding options shall fully vest.

The Corporation entered into an employment agreement with Andrew Morden effective September 13, 2004 as amended on March 15, 2005 pursuant to which he acts as the Corporation's Chief Financial Officer. Mr. Morden currently receives an annual base salary of \$190,000. Mr. Morden is also entitled to receive a bonus of \$60,000 based on the achievement of specific objectives. If Mr. Morden's employment is terminated without cause, the Corporation will pay him six months of his annual salary plus three months per year of service in excess of one year of service to a maximum of 12 months of his base annual salary, in lieu of notice of termination of employment, plus benefits in each case for an equivalent period. If Mr. Morden is terminated without cause within 180 days of the occurrence of a change of control occurs, all of his outstanding options shall vest as of the date of the change of control.

The Corporation entered into an employment agreement with Randy Kath effective April 26, 2004 pursuant to which he acts as the Corporation's Chief Technology Officer and Vice President of Mobile Products Group. Mr. Kath currently receives an annual base salary of \$150,000 USD. Mr. Kath is also entitled to receive a performance bonus up to \$45,000 USD based on the achievement of specific objectives. If Mr. Kath's employment is terminated without cause, the Corporation will pay him one month of his annual salary per year of service prorated for partial years, to a maximum of three months of his base annual salary, in lieu of notice of termination of employment.

The Corporation entered into an employment agreement with David Manuel effective February 11, 2002. This agreement superseded prior agreement(s) in place since the start of Mr. Manuel's employment by the Corporation in 1999. Mr. Manuel is currently Executive Vice-President of the Engineering Services Group and receives an annual base salary of \$170,000. Mr. Manuel is also entitled to receive a performance bonus of up to \$50,000 and may also receive bonuses or commissions for sales. If Mr. Manuel's employment is terminated without cause, the Corporation will pay him 12 months salary plus benefits. If a change of control occurs, Mr. Manuel's stock options vest immediately, regardless of whether his employment is terminated following the occurrence of a change of control.

COMPENSATION OF DIRECTORS

The Board of Directors has resolved that, in addition to reimbursement for ordinary and necessary out of pocket expenses incurred in fulfillment of their duties, each non-executive director shall receive an annual retainer of \$10,000 paid quarterly, a meeting fee of \$1,500 for each Board of Directors meeting attended in person, \$750 for telephonic attendance at each Board of Directors meeting, and a meeting fee of \$750 for committee meetings. The Lead Independent Director shall receive a fee of \$6,000 per year, the Chairman of the Audit Committee shall receive an additional \$1,500 per quarter and the Chairman of each of the Corporate Governance and Nominating and Compensation Committees will receive an additional \$750 per quarter. Further, each director shall be compensated for additional activities performed at the direction of the Chairman of the Board or President and CEO at \$1,500 per day.

The independent members of the Board of Directors have received and may receive incentive stock options in accordance with the policies of the TSX and the Corporation's Incentive Stock Option Plan. Currently, new independent directors receive 100,000 stock options upon appointment. Existing independent directors receive an additional 25,000 stock options per year or on a pro rata basis based on the period served in the preceding year.

COMPOSITION OF THE COMPENSATION COMMITTEE AND REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee currently consists of George Duguay, Thomas Bitove and Mark McQueen who are all independent directors. Mr. McQueen resigned from the Board of Directors on November 10, 2006 and is not standing for re-election at the Meeting. The requisite number of directors and independent directors will be appointed to the Committee upon completion of the Meeting.

The purpose of the Compensation Committee is to:

- a. review and approve the corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those corporate goal and objectives, and determine (or make recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;

- b. make recommendations to the Board with respect to non-CEO officer extraordinary bonuses, director compensation, incentive compensation plans and equity-based plans; and
- c. review executive compensation disclosure before the Corporation publicly discloses this information.

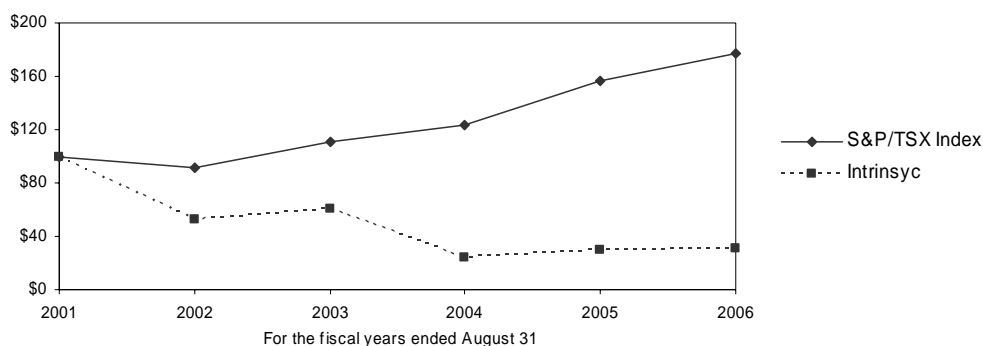
It is the policy of the Corporation to compensate its management, including the Chief Executive Officer, for performance using three forms of remuneration: base salary, cash bonus and stock option grants. Base salary is determined largely by reference to market conditions, following a review of comparable compensation packages for the position, together with an assessment of the responsibility and experience required for the position to ensure that it reflects the contribution expected from each member of management. Annual incentive cash and stock option awards will provide the opportunity for cash compensation and enhanced share value based upon exceptional individual and departmental performance, and the overall success of the Corporation in any given year. The payment of the CEO's performance bonus is dependent upon achieving objective performance standards mutually agreed between the CEO and the Corporation's Board of Directors. Information regarding comparable salaries and overall compensation is derived from the knowledge and experience of the members of the Committee, from certain public information, and from outside consultants.

PERFORMANCE GRAPH

The common shares of the Corporation currently trade on the Toronto Stock Exchange ("TSX") under the symbol "ICS". The common shares were initially listed on the Vancouver Stock Exchange (the "VSE") on April 16, 1996. On January 9, 2001, the Corporation's shares were listed and posted for trading on the TSX.

The following chart compares the total cumulative shareholder return for \$100 invested in common shares of the Corporation on August 31, 2001 with the cumulative total return of the S&P/TSX Composite Index for the period from August 31, 2001 to August 31, 2006. The common share performance as set out in the graph does not necessarily indicate future price performance.

Five Year Performance Chart



Fiscal years ended August 31	2001	2002	2003	2004	2005	2006
Intrinsic common shares	\$100	\$52	\$61	\$24	\$30	\$31
S&P/TSX Composite Index	\$100	\$91	\$110	\$123	\$157	\$178

EQUITY COMPENSATION PLAN INFORMATION

The Corporation has established an Incentive Stock Option Plan (the “Plan”) for directors, officers and service providers (including employees, insiders and others engaged in ongoing management or consulting duties) of the Corporation and its subsidiaries. The purpose of the Plan is to provide long-term incentives to attract, motivate and retain directors and key employees of the Corporation and its affiliates who, in the judgement of the Board, will be largely responsible for its future growth and success.

The Board of Directors or the Human Resources/Compensation Committee may determine, in its sole discretion, the vesting schedule applicable to each stock option, which vesting schedule will be set out in an option agreement whereby the Corporation grants a stock option to a person entitled to receive such stock option (the “Option Agreement”), and which will determine when a stock option becomes exercisable by the stock option holder. The current practice is to grant stock options with a life of five years from the date of grant, and vesting one-third (1/3) after the first year and one-twelfth (1/12) every quarter thereafter. These stock options are priced based on the closing price of the Corporation’s shares on the day before grant.

The maximum number of common shares that may be issued under the Plan is currently 11,095,774. The total number of shares issued under the Plan is 6,297,245 which represents 7.5% of the Corporation’s currently issued and outstanding capital.

The maximum number of shares that may be issuable pursuant to the Plan, together with all of the Corporation’s established or proposed share compensation arrangements (collectively, the “Incentive Plans”) is currently 11,095,774.

The number of shares issuable to any one person entitled to receive stock options under the Incentive Plans shall not exceed 5% of the total number of issued and outstanding shares of the Corporation. The number of shares reserved for issuance to insiders at any time and the number of shares issuable to all insiders within a one year period under the Incentive Plans shall not exceed 10% of the issued and outstanding shares of the Corporation.

An option holder’s entitlement to stock options under the Plan will cease once the option holder ceases to be a director, officer or service provider of the Corporation as a result of that option holder’s death, disability or retirement. If the option holder is terminated for cause, any outstanding stock option held by such option holder on the date of termination, whether in respect of shares under the option that are vested or not, shall be cancelled as of that date. If the option holder ceases to be a director, officer or service provider of the Corporation as a result of early retirement, voluntary resignation, or termination other than for cause, the stock option held by such person shall be exercisable to acquire vested but unissued common shares at any time prior to the earlier of the expiry date of the stock option and 30 days from the date such option holder ceased to be a director, officer or service provider. Options that have not vested at that time shall not be exercisable and shall be cancelled.

Subject to the provisions of the *Business Corporations Act* (Canada) and, if required, subject to prior acceptance of the TSX, the Board of Directors of the Corporation may at any time or from time to time authorize the Corporation to provide financial assistance to an option holder, on such terms and conditions as the Board of Directors may determine, to assist such option holder in exercising his or her stock options, said financial assistance to be repayable with full recourse.

An option holder may not assign any of his or her rights under the Plan.

The price for common shares under each option shall not be less than the market price, being the closing price per common share on the applicable exchange for the last market trading day prior to the date it was determined to grant said stock option. The term for each option shall be set by the Board of Directors at the time of issue of the stock option but in any case shall not exceed 10 years after the date the option is granted.

The Board of Directors may from time to time, subject to applicable laws and to the prior approval, if required, of the any applicable exchanges, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any option granted under the Plan and the option agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any stock option previously granted to an option holder under the Plan without the consent of that option holder.

The Board of Directors shall additionally have the right to issue or reserve for issuance, for no cash consideration, to any director, senior officer or employee of the Corporation, any number of common shares as a discretionary bonus (the "Share Bonus Plan"), said common shares to be issued at market price or market price less the applicable discount under the private placement rules of the TSX, provided that if a discount is applied the common shares shall be subject to the applicable hold period. The shares reserved for issuance and issued under the Share Bonus Plan shall be subject to the limitations applicable to the Incentive Plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plan approved by Shareholders	6,374,413	\$0.97	612,337
Equity compensation plans not approved by Shareholders	Nil	Nil	Nil

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No director, senior officer or executive officer, nor any proposed nominee for director, nor any associate of any of them, has been indebted to the Corporation at any time during the previous fiscal year.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Except as described herein, no director, nominee for director, senior officer or principal Shareholder of the Corporation, or any associate or affiliate of such person, has any material interest, direct or indirect, in any material transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. See also "Executive Compensation".

On October 8, 2005, the Corporation closed an \$8.0 million financing with Wellington Financial Fund II ("Wellington Financial") in order to partially fund the mobile software initiative and provide working capital. The financing was by way of secured debentures maturing on October 3, 2007. Concurrent with the financing, Intrinsic has issued to Wellington Financial an aggregate of 3,870,968 special warrants of Intrinsic. On November 7, 2005, Mark McQueen, President and CEO of Wellington Financial, was nominated to the Corporation's Board of Directors. On November 8, 2006, the

Corporation announced that it has provided notice to Wellington Financial LP that the Corporation intends to repay the \$8 million principal outstanding under the Series A and Series B Secured Debentures entered into in October 2005. Mr. McQueen resigned from the Board of Directors on November 10, 2006 and will not be standing for re-election at the Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the directors or senior officers of the Corporation, no management nominee for election as a director of the Corporation, none of the persons who have been directors or senior officers of the Corporation since the commencement of the Corporation's last completed financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting.

MANAGEMENT CONTRACTS

The management functions of the Corporation are performed by the Corporation's directors and senior officers and the Corporation has no management agreements or arrangements under which such management functions are performed by persons other than the directors and senior officers of the Corporation.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors and senior management of the Corporation consider good corporate governance to be central to the effective operation of the Corporation. As part of the Corporation's commitment to effective corporate governance, the Board of Directors, with the assistance of the Corporate Governance and Nominating Committee, monitors changes in legal requirements and best practices.

During the past year, there have been several changes to the corporate governance and corporate governance disclosure requirements applicable to the Corporation. Specifically, the Canadian Securities Administrators adopted in final form National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"), both of which came into force on June 30, 2005 and effectively replaced the Corporate Governance Guidelines of the Toronto Stock Exchange. Also, amendments were made to Multilateral Instrument 52-110 – *Audit Committees*.

Leading up to these changes, the Board of Directors and the Corporation devoted significant attention and resources to ensuring that the Corporation's system of corporate governance would meet or exceed applicable legal and stock exchange requirements. Of particular note, the Board of Directors together with the Corporation has created a Corporate Governance Manual (the "Manual").

Set out below is a description of certain corporate governance practices of the Corporation, as required by NI 58-101.

BOARD OF DIRECTORS

NP 58-201 recommends that boards of directors of reporting issuers be composed of a majority of independent directors. With four of the six current directors considered independent, the Board of Directors is currently composed of a majority of independent directors. The four independent directors are: Thomas Bitove, George Duguay, Robert Gayton and Mark McQueen. Two directors

are executive officers of the Corporation: Glenda Dorchak and Vincent Schiralli and are therefore not independent. With four of the six proposed directors considered independent, the new Board of Directors will also be composed of a majority of independent directors. The four independent proposed directors are Thomas Bitove, George Duguay, Robert Gayton and Andrew McLeod. The two non-independent proposed directors are Glenda Dorchak and Vincent Schiralli.

The Corporation has taken steps to ensure that adequate structures and processes are in place to permit the Board of Directors to function independently of management. The directors hold regularly scheduled meetings at least four times per year at which non-independent directors are not in attendance. Alternatively, the independent directors may meet during a portion of regularly scheduled Board of Directors meetings, provided that time is specifically scheduled and devoted to meeting without non-independent directors. From September 1, 2005 to August 31, 2006, five meetings of the independent directors were held. The Corporation has appointed Dr. Gayton as Lead Independent Director in order to ensure appropriate leadership for the independent directors. As Lead Independent Director, Dr. Gayton's role is to oversee and ensure the independence and separation between management and the Board of Directors.

The Corporation and the Board of Directors recognize the significant commitment involved in being a member of the Board of Directors. Accordingly, the Manual requires directors to report to the Chairman of the Governance and Nominating Committee all other directorships held and any other interest in or relationship with outside entities that could result in potential conflicts of interest. Currently, the following directors serve on the boards of directors of other public companies as listed below.

Director	Public corporation board membership
Dr. Robert Gayton	Amerigo Resources Ltd. Bema Gold Corporation Bravo Venture Group Inc. Canadian Zinc Corporation Doublestar Resources Ltd. Fortune River Resource Corp. Northern Orion Resources Inc. Nevsun Resources Ltd. Quaterra Resources Inc. Southern Silver Exploration Corp. Western Copper Corporation
Mr. Mark McQueen	Nexient Learning Inc.

Between September 1, 2005 and August 31, 2006, the Board of Directors and its committees held the following number of meetings:

Board of Directors	14
Audit Committee	5
Compensation Committee	4
Corporate Governance and Nominating Committee	0
TOTAL NUMBER OF MEETINGS HELD	23

Subsequent to the fiscal year-end, the Corporate Governance and Nominating Committee met on November 7, 2006.

The attendance of the directors at such meetings was as follows:

Director	Board meetings attended	Committee meetings attended
Geoffrey Belsher	3 of 3	0 of 0
Thomas Bitove	10 of 11	2 of 2
William Bryant	2 of 3	4 of 4
Glenda Dorchak	4 of 4	2 of 2
George Duguay	13 of 14	9 of 9
Robert Gayton	13 of 14	5 of 5 1 of 1 (by invitation)
Mark McQueen	11 of 13	4 of 4
Vincent Schiralli	14 of 14	4 of 4 (by invitation)
Derek Spratt	12 of 13	6 of 6 (by invitation)

Board Mandate

The Board of Directors is responsible for the overall stewardship of the Corporation. The Board of Directors discharges this responsibility directly and through the delegation of specific responsibilities to committees of the Board of Directors.

The Mandate of the Board of Directors which is attached hereto as Schedule “D” falls into the following seven categories: selection of management, strategic planning, risk identification, communications, succession planning, internal controls and corporate governance, all as more particularly described in Section Four of the Manual.

Position Descriptions

The Board of Directors has developed position descriptions for the Chairman, the Lead Independent Director and the Chairman of each committee of the Board of Directors. The Board of Directors has also approved a position description for the Chief Executive Officer.

Orientation and Continuing Education

Responsibility for orientation and education programs for new directors is assigned to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee ensures that all new directors receive a comprehensive orientation so that each new director fully understands the role of the Board of Directors and its committees, as well as the individual contribution individual directors are expected to make. The Board of Directors have adopted a Policy for orientation of new directors.

The Corporate Governance and Nominating Committee is also responsible for arranging continuing education for directors in order to ensure that directors maintain and enhance the skill and knowledge necessary to meet their obligations as directors, as well as to ensure knowledge and understanding of the Corporation’s business remains current. The Board of Directors have adopted a Policy for continuing education for directors.

Ethical Business Conduct

The Board of Directors has created a Code of Business Conduct (the "Code") for the Corporation's directors, officers and employees. Directors, officers and employees are expected to act with honesty and integrity in all interactions with customers, suppliers, competitors, employees and others. A copy of the Code may be obtained by contacting the Corporation at the address given under "Additional Information" at the end of this Circular.

The Audit Committee is responsible for reviewing the Code as well as programs that management has established to monitor compliance with the Code. In addition, the Corporate Governance and Nominating Committee is responsible for ensuring that standards of ethical conduct are developed and maintained.

The Board of Directors and the Audit Committee have also established a Whistleblower Policy to encourage employees, officers and directors to raise concerns regarding matters covered by the Code (including accounting, internal controls or auditing matters) on a confidential basis free from discrimination, retaliation or harassment.

In addition, in order to ensure independent judgement in considering transactions/agreements in which a director/officer has a material interest, all related party transactions are reviewed and approved by the Audit Committee.

Nomination of Directors

The Corporate Governance and Nominating Committee is currently comprised of Thomas Bitove (Chairman), Robert Gayton and Mark McQueen, all of whom are independent. Mr. McQueen resigned from the Board of Directors on November 10, 2006 and is not standing for re-election at the Meeting. The requisite number of directors and independent directors will be appointed to the Committee upon completion of the Meeting.

The purpose of the Governance and Nominating Committee is to:

- a) develop and recommend to the Board a set of corporate governance principles applicable to the Corporation;
- b) identify individuals qualified to become new Board members and to recommend to the Board new director nominees from time to time; and
- c) assist the Chairman in overseeing the process of evaluation of the Board, its committees and individual directors.

As described in its charter, the Corporate Governance and Nominating Committee are responsible for, among other things, identifying and evaluating candidates for the Board of Directors.

Compensation

Information regarding the composition of the Compensation Committee, the responsibilities and operations of the Compensation Committee and the process by which compensation is determined, is discussed above in "Composition of the Compensation Committee and Report on Executive Compensation".

Other Board of Directors' Committees

The Corporation does not have any Board of Directors committees, other than the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee.

Assessments

The Board of Directors adopted a Board review process which (a) provides directors with an opportunity once each year to evaluate the Board of Directors' and each Committee's performance and to make suggestions for its improvement; (b) provides an opportunity for the Board of Directors to comment on the Chairman's and the Lead Independent Director's leadership; and (c) provides an opportunity for the Lead Independent Director to evaluate each director's individual performance and to make suggestions for improvement. The review process relates directly to the description of the roles and responsibilities of the Board of Directors, each of its committees, the Chairman and each individual director.

The Board of Directors annually reviews and assesses the performance of the CEO. The Board of Directors has finalized this process at its November 7, 2006 meeting.

OTHER MATTERS

Management of the Corporation is not aware of any other matters to come before the Meeting other than as set forth in the Notice of the Meeting. If any other matter properly comes before the Annual and Special General Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgement on such matter.

Matters which may properly come before the Meeting shall be any matter not effecting change in the Articles or Bylaws of the Corporation, not effecting a change of control of the Corporation or not disposing of all or substantially all of the assets of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Shareholders may contact the Corporation at 10th floor, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8 to request copies of the Corporation's annual report, financial statements and management's discussion and analysis. Information about the Corporation can also be found on its web site at www.intrinsyc.com. Financial information is provided in the Corporation's comparative consolidated financial statements and management's discussion and analysis for the fiscal year ended August 31, 2006.

BOARD APPROVAL AND STATEMENT OF DIRECTORS

This Circular contains information as at October 31, 2006, except where another date is specified. The contents of this Circular have been approved and its mailing to each member of the Corporation entitled thereto and to the appropriate regulatory agencies has been authorized by the Board of Directors of the Corporation.

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

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read "Glenda M. Dorchak", with a long horizontal flourish extending to the right.

Glenda M. Dorchak
Chairman and Chief Executive Officer

SCHEDULE "A"

**TEXT OF RESOLUTION TO APPROVE THE AMENDED AND RESTATED
SHAREHOLDER RIGHTS PLAN**

BE IT RESOLVED, as an ordinary resolution, that

1. the amendment and restatement of the Corporation's Shareholder Rights Plan adopted by the Shareholders on December 6, 2000 be and is hereby approved; and
2. any one director of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution, including, without limitation, the Rights Plan.

SCHEDULE "B"
**TEXT OF RESOLUTION TO APPROVE THE AMENDED AND RESTATED
STOCK OPTION PLAN**

BE IT RESOLVED, as an ordinary resolution, that::

1. the Amended and Restated Incentive Stock Option Plan of the Corporation (the "Amended and Restated Incentive Plan"), as described in the Management Information Circular of the Corporation dated November 14, 2006 and which:
 - a. increases the aggregate maximum number of common shares which the Corporation may issue or reserve for issuance under the Incentive Plan, as a whole by 2,300,000 common shares, so that the balance available for issuance, as the date hereof, shall be 2,989,505; and
 - b. incorporates the amendments indicated in the form of Incentive Plan attached to this Circular as Schedule "C",be and is hereby approved; and
2. any director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

SCHEDULE “D”
OBLIGATIONS, DUTIES AND ROLES OF THE BOARD OF DIRECTORS OF
INTRINSYC SOFTWARE INTERNATIONAL, INC.

A. OBLIGATIONS

1. The Board of Directors (the “Board”) shall assume the responsibility for the stewardship of the Corporation and shall:
 - a. supervise the management of the business and affairs of the Corporation; and
 - b. act in accordance with the Corporation’s obligations contained in the Canada Business Corporations Act (the “CBCA”), the Securities Act of each province and territory of Canada and the various related rules, policies and instruments, the Toronto Stock Exchange’s governance guidelines, other applicable laws and the Corporation’s Articles and By-Laws (collectively, “Applicable Laws”).
2. The Board may delegate any matter to a committee of directors in compliance with Applicable Laws.

B. BOARD MANDATE

Introduction

In meeting its obligations, the Board shall act as a whole or as permitted by Applicable Laws through a committee of the Board. The Board’s mandate falls into the following seven categories:

1. Selection of Management

The Board has the responsibility for:

- a. appointing, monitoring and reviewing the performance of, approving the remuneration for, providing counsel and advice to and replacing the CEO;
- b. approving the appointment of all executive officers, taking into account the advice of the CEO; and
- c. to the extent feasible, satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

2. Strategic Planning

The Board has the responsibility for:

- a. adopting a strategic planning process and approving, on at least an annual basis, a strategic plan that takes into account, among other things, the opportunities and risks of the Corporation’s business;

- b. monitoring the Corporation's progress towards its goals, and to revise and alter its direction in light of changing circumstances; and
- c. taking action when the Corporation's performance falls short of its goals or in other special circumstances (for example, mergers and acquisitions or changes in control).

3. Risk Identification

The Board has the responsibility for identifying principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage those risks.

4. Communications

The Board has the responsibility for:

- a. ensuring that the financial results of the Corporation are reported fairly and in accordance with Applicable Laws;
- b. ensuring the timely reporting of material information in compliance with Applicable Laws; and
- c. adopting a communications policy to ensure that communications to the public regarding the Corporation are timely, factual, accurate and broadly disseminated in accordance with Applicable Laws.

5. Succession Planning

The Board has the responsibility for:

- a. planning for the succession of senior management, including appointing, training and monitoring; and
- b. planning for the succession of the directors.

6. Internal Controls

The Board has the responsibility for ensuring that internal control and information management systems are implemented and maintained.

7. Corporate Governance

The Board has the responsibility for:

- a. developing the Corporation's approach to corporate governance, including reviewing and amending as appropriate this Governance Manual;
- b. monitoring compliance with the corporate governance guidelines established in this Governance Manual; and

- c. confirming that the Corporation operates at all times in compliance with Applicable Laws and in accordance with high ethical and moral standards established by the Board from time to time.

C. CONSTITUTION AND ROLE OF THE BOARD OF DIRECTORS

1. Board Composition

a. Constitution of the Board

The Board shall be constituted with a majority of individuals who qualify as independent directors (as defined below).

If the Corporation has a significant shareholder, the Board shall include, at a minimum, a proportion of independent directors that fairly represents the investment in the Corporation by shareholders other than the significant shareholder. For these purposes, “significant shareholder” has the meaning set out for “significant security holder” in National Instrument 58-101.

b. Board Membership

The Board is responsible for selecting nominees for appointment or election to the Board. On an annual basis in advance of the Corporation’s making nominations for election of directors at the Corporation’s annual shareholders meetings, the Board shall: (i) consider what competencies and skills the Board, as a whole, should possess; and (ii) assess what competencies and skills each existing director possesses. The Board delegates the nomination process to the Governance and Nominating Committee with the input from the Lead Independent Director (if any) and the CEO but the Board reserves for itself the responsibility for selecting the final nominees.

c. Board Size

Under Applicable Laws, the Board shall consist of not less than three directors and the number of directors may be fixed or changed from time to time by the Corporation’s shareholders by an ordinary resolution. The Board will annually consider its size and will increase or decrease the number of directors to facilitate more effective leadership and decision-making. The Board delegates such annual consideration to the Governance and Nominating Committee but the Board reserves for itself the responsibility for recommending to shareholders the size of the Board.

d. Independent Directors

A director is considered “independent” for the purposes of this Governance Manual if such director meets the meaning of independence set forth under paragraph (A) under the heading “Audit Committee Independent Directors”.

Under Applicable Laws, an “inside” director is a director who is an officer or employee of the Corporation or of any of its affiliates. The Corporation’s only inside directors shall be the CEO and the President. An “outside” director is a director who is not a member of management. Under Applicable Laws, an “unrelated” director is a director who is independent of management and is free from any business or other relationship, other

than interests and relationships arising from shareholding, which could, or could be perceived to, materially interfere with the director's ability to act in the Corporation's best interest.

If a shareholder is in a position to control or influence control of the Corporation, that person is a "significant" shareholder. For purposes of assessing "relatedness", a director who is a significant shareholder, or is a director with interests in or relationships with the significant shareholder is not considered a related director under Applicable Laws.

e. Audit Committee Independent Directors

Under Applicable Laws, a director shall be considered independent for the purposes of the Audit Committee if he or she meets the following requirements:

(A) Meaning of Independence

- (1) An Audit Committee member is independent if he or she has no direct or indirect material relationship with the Corporation.
- (2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with the Corporation:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
 - (c) an individual who:
 - (i) is a partner of a firm that is the Corporation's internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the Corporation's internal or external auditor,

- (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the Corporation solely because: (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the Corporation, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the Corporation, or

- (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the Corporation on a part-time basis.
- (8) For the purpose of section (A), the Corporation includes a subsidiary entity of the Corporation and a parent of the Corporation.

(B) Additional Independence Requirements

- (1) Despite any determination made under section (A), an individual who
 - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
 - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

"Prescribed period" means the period prescribed by law and currently under the Multilateral Instrument 52-110 – Audit Committees it is the shorter of: (i) the period commencing on March 30, 2004 and ending immediately prior to the determination of independence; and (ii) the three year period ending immediately prior to the determination of independence.

2. Resignation or Withdrawal - Directors Who Change their Employment Responsibility

Any director who changes the responsibility he or she held when elected or appointed to the Board should offer to resign from the Board. This will provide an opportunity for the Board to review and consider the continued appropriateness of that person's Board membership under the changed circumstances. In carrying out this function, the Board shall consider the advice and input of the Governance and Nominating Committee.

3. Relationship with Management

The Board functions independently of management. The role of the Chairman is to effectively provide leadership to the Board while the role of the CEO is to provide the day-to-day leadership and management of the Corporation. The role of the Lead Independent Director is to oversee and ensure the independence, and separation from management, of the Board.

4. Strategic Plan

As noted in the Board's mandate, the Board is ultimately responsible for adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Corporation's business. However, the initiative for developing and modifying the strategic plan and strategies to achieve these goals and objectives must come from the CEO and management. The Board may assist in the development of the strategies, act as a resource and contribute ideas but the CEO and management will lead this process.

5. Performance Evaluation

a. CEO Evaluation

One of the most important aspects of effective governance is the relationship between the CEO and the Board. It is crucial that the Board is fully informed and that the CEO has a forum for drawing on the wisdom and experience that exists within the Board. While it is expected that full and frank dialogue will exist between the CEO and the Board, a CEO review process should occur at least once a year to ensure that this communication takes place. This allows for a full and healthy dialogue between the Board and the CEO regarding corporate and individual performance.

b. Board, Committees and Individual Directors Evaluation

The Board is committed to evaluating its own performance and the performance of its Committees and individual directors on an annual basis. The review process is also an opportunity to provide input to each of the Chairman of the Board, the Lead Independent Director (if any) and the Chairman of each Committee on his or her performance.

6. Meetings

a. Number of Meetings

The Board will meet on a scheduled basis five times per year and more frequently if required.

b. Agenda

The Chairman, with the assistance of the Lead Independent Director (if any) and the CEO, will be responsible for establishing the agenda for Board meetings. The Chairman shall solicit from the members of the Board recommendations as to matters to be brought before the Board and shall ensure that such matters receive a fair hearing. A significant portion of each regularly scheduled Board meeting will be spent examining future plans and strategies for this purpose “future plans and strategies” is intended to be broader than strategic planning and includes without limitation future financial performance, future business operations and corporate development opportunities.

c. Guests at Board Meetings

Guests may be invited by the Board and CEO to make presentations to the Board. Should the CEO wish to invite other people as attendees on a regular basis, the CEO should first seek the concurrence of the Board.

d. Access to Senior Management

The Board encourages the CEO to bring into Board meetings employees who can provide additional insight into the items being discussed and/or who have potential in terms of management succession and should be given exposure to the Board.

e. Board Information - Regularly Scheduled Meetings

Not less than five business days prior to each regularly scheduled Board meeting, the Board should receive the following information from the Chairman and management: (i) an Agenda; (ii) a memo from the CEO outlining major accomplishments and issues; (iii) a summary of each agenda item that requires a thorough debate of various courses of action and concluding with management’s recommendations and summary of the risks, provided that if any matter is too sensitive to put on paper, the matter and any presentations with respect thereto will be discussed at the meeting.

f. Board Information - Non-Regularly Scheduled Meetings

Not less than two days prior to each non-regularly scheduled Board meeting, the Board shall receive from the Chairman and management the following: (i) an Agenda; (ii) a summary of each agenda item that requires a thorough debate of various courses of action and concluding with management’s recommendations and summary of the risks, provided that if any matter is too sensitive to put on paper, the matter and any presentations with respect thereto will be discussed at the meeting. Notwithstanding the foregoing, the Board understands that in extraordinary circumstances the required delivery may be impractical, in which case the directors shall receive such materials sufficiently in advance of the meeting to enable the directors to fully and properly consider such materials.

7. Board Committees

The Board shall adopt for each Board committee a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees) and manner of reporting to the Board.

Subject to Applicable Laws and any resolution of the Board, a committee may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Where neither the Board nor the committee has determined the rules or procedures to be followed by the committee, the rules and procedures set out in Sections 4 and 5.02 of the Corporation's By-Law No. 1, shall apply with necessary modifications.

The following shall apply to each Board committee:

a. Committee Membership

Committee members are appointed by the Board on the recommendation of Governance and Nominating Committee in consultation with the Chairman and the Lead Independent Director (if any) and with consideration of the desires of individual Board members.

Consideration will be given to rotating committee members periodically.

Committee Chairmen are selected by the Board on the recommendation of the Governance and Nominating Committee.

b. Meeting Attendance

A director who is not a member of a committee may attend meetings of such committee with the consent of the Chairman of the committee. A director who is not a member of a committee may not vote and may not be counted for the purposes of the quorum.

c. Committee Meetings and Agendas

The committee Chairman, after consultation with committee members to the extent practicable, will determine the location, frequency and length of the meetings of the committee, provided that the Audit Committee shall meet at least four times per year. All other committees shall meet at least annually. The Chairman of the committee, in consultation with the CEO or the appropriate senior manager, will develop the committee's agenda.

d. Committee Responsibilities

Committees should analyze, consistent with their Charter, strategies and policies that are developed by management. Committees may make recommendations to the Board but, unless specifically mandated to do so, do not take action or make decisions on behalf of the Board.

A committee may, from time to time, request assistance of external advisors who the committee requires to research, investigate and report on matters within a committee's term of reference.

e. Reporting

Each committee has a duty to report to the Board all matters that it considers to be important for Board consideration. All committee's minutes should be attached to the Board minutes and forwarded to each member of the Board by the Secretary in a timely manner.

8. Director Compensation

The Board shall establish the compensation of directors, after taking into account the recommendation of the Compensation Committee. The compensation should be generally in line with that paid by public companies of a similar size and type.

The Board encourages Board members to own shares in the belief that share ownership facilitates the directors' identification with the interests of the shareholders.

The Corporation shall maintain directors' and officers' liability insurance.

9. Corporate Standards of Conduct

The Board has the responsibility for ensuring that standards of conduct are established and monitored for compliance.

10. Access to Outside Advisors

Individual directors or a group of directors may engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of the outside advisor should be coordinated through the Chairman or the Lead Independent Director (if any) and be subject to Board approval.

11. Meetings of Independent Directors

The independent directors shall hold regularly scheduled meetings at least four times per year at which members of management and non-independent directors are not in attendance. In lieu of such meetings, the independent directors may meet during a portion of regularly scheduled Board meetings, provided that time is specifically scheduled and devoted to meeting without members of management.

12. Orientation and Continuing Education of Directors

The Board shall develop and provide an orientation and education program for new directors and shall provide continuing education opportunities for all directors. The Board delegates the orientation and continuing education process to the Governance and Nominating Committee.