HAWKER SIDDELEY

HAWKER SIDDELEY CANADA INC.

NOTICE AND MANAGEMENT PROXY CIRCULAR FOR THE SPECIAL MEETING OF SHAREHOLDERS

to be held in The Mississauga City Club,
3 Robert Speck Parkway, Suite 150
Mississauga, Ontario

on

Monday, March 28, 1994 at 10:00 a.m. (Toronto time)

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN to holders (the "Shareholders") of common shares (the "Common Shares") and 5¾% Cumulative Redeemable Preferred Shares (the "5¾% Preferred Shares") of Hawker Siddeley Canada Inc. (the "Corporation") of record at the close of business on the 21st day of February, 1994 that a special meeting of Shareholders (the "Special Meeting") will be held in The Mississauga City Club, 3 Robert Speck Parkway, Suite 150, Mississauga, Ontario, on Monday, the 28th day of March, 1994, at the hour of 10:00 a.m. (Toronto time) for the following purposes:

1. to consider and, if thought fit, to pass, with or without amendment, a special resolution (the "Amalgamation Resolution") approving the amalgamation (the "Amalgamation") of the Corporation and HSC Hawker Canada Ltd. ("Holdings"), an indirect wholly-owned subsidiary of BTR plc, and approving the amalgamation agreement made as of the 18th day of February, 1994 between the Corporation, Holdings and Hawker Siddeley Management Limited (the "Amalgamation Agreement") which provides for the Amalgamation pursuant to the *Canada Business Corporations Act* (the "CBCA"); and

2. to transact such other business as may properly come before the Special Meeting or any adjournment thereof.

A copy of the text of the Amalgamation Resolution is attached as Exhibit I to this notice of Special Meeting and a copy of the Amalgamation Agreement is attached as Appendix "A" to the management proxy circular (the "Proxy Circular") of the Corporation dated February 28, 1994 which accompanies this notice of Special Meeting.

To become effective, the Amalgamation Resolution must be passed by a majority of not less than two-thirds of the votes cast at the Special Meeting by the holders of Common Shares and 5¾% Preferred Shares (collectively, the "Shares") who vote in respect of such resolution, voting together.

Shareholders are invited to attend the Special Meeting. Shareholders of record at the close of business on February 21, 1994 are entitled to receive notice of the Special Meeting and such Shareholders will be entitled to vote at the Special Meeting except to the extent that a Shareholder has transferred any Shares after that date and the transferee of such Shares produces properly endorsed certificates or otherwise establishes ownership of such Shares and demands, not later than ten days before the Special Meeting, to be included in the list of Shareholders eligible to vote at the Special Meeting, in which case the transferee will be entitled to vote such Shares at the Special Meeting.

Shareholders entitled to vote on the Amalgamation Resolution at the Special Meeting are entitled to dissent under, and, if the Amalgamation is effected, to be paid the fair value of their Shares in accordance with Section 190 of the CBCA. This right to dissent is described in the Proxy Circular.

By Order of the Board

Beth M. Bandler,
Secretary and General Counsel

Mississauga, February 28, 1994

Shareholders are requested to complete, sign and return the accompanying form of proxy, in the envelope provided, for use at the Special Meeting whether or not they are able to attend personally. To be effective at the Special Meeting, a completed proxy must be deposited with the Secretary of the Corporation on or before 4:00 p.m. (Toronto time) on March 25, 1994 or, in the case of an adjournment of the Special Meeting, a completed proxy must be deposited with the Secretary of the Corporation at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of any adjournment.

EXHIBIT I

AMALGAMATION RESOLUTION

RESOLVED THAT:

1. the amalgamation (the "Amalgamation") of Hawker Siddeley Canada Inc. (the "Corporation") and HSC Hawker Canada Ltd. ("Holdings"), upon and subject to the terms and conditions contained in the amalgamation agreement (the "Amalgamation Agreement") made as of the 18th day of February, 1994 between the Corporation, Holdings and Hawker Siddeley Management Limited, a copy of which is attached as Appendix "A" to the management proxy circular of the Corporation dated February 28, 1994, and the Amalgamation Agreement be, and they hereby are, approved;

2. notwithstanding the approval of the Amalgamation and of the Amalgamation Agreement by the shareholders of the Corporation or Holdings, the directors of the Corporation be, and they hereby are, authorized to terminate the Amalgamation Agreement and not proceed with the Amalgamation for any reason at any time prior to the issue of a certificate of amalgamation by the Director under the *Canada Business Corporations Act*, without the further approval of the shareholders of the Corporation; and

3. any one officer or any one director of the Corporation be, and each of them hereby is, authorized and empowered, acting for, in the name of and on behalf of, the Corporation, to execute, or to cause to be executed, under the seal of the Corporation or otherwise, and to deliver, or to cause to be delivered, all documents and agreements, all in such form and containing such terms and conditions as such officer or director shall consider necessary or desirable in connection with the Amalgamation and shall approve, such approval to be conclusively evidenced by the execution thereof by such officer or director, and to do, or cause to be done, all such other acts and things as such officer or director shall consider necessary or desirable in connection with the Amalgamation.

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GENERAL INFORMATION

THE MANAGEMENT OF HAWKER SIDDELEY CANADA INC. (THE "CORPORATION") IS SOLICITING PROXIES FOR THE SPECIAL MEETING (THE "SPECIAL MEETING") OF SHAREHOLDERS REFERRED TO IN THE ATTACHED NOTICE OF SPECIAL MEETING OF SHAREHOLDERS (THE "NOTICE"). THIS MANAGEMENT PROXY CIRCULAR (THE "PROXY CIRCULAR") IS FURNISHED IN CONNECTION WITH SUCH SOLICITATION OF PROXIES. IF THE ENCLOSED FORM OF PROXY IS DULY EXECUTED AND RETURNED, ALL SHARES IN RESPECT OF WHICH THE PERSONS NAMED THEREIN ARE APPOINTED TO ACT WILL BE VOTED, IN ACCORDANCE WITH THE SHAREHOLDER'S SPECIFICATION, ON ANY VOTE THAT MAY BE CALLED FOR AT THE SPECIAL MEETING. IF SUCH SPECIFICATION IS NOT MADE, THE SHARES WILL BE VOTED AS STATED IN THE ENCLOSED FORM OF PROXY.

The Special Meeting of the holders (the "Shareholders") of common shares (the "Common Shares") and 5¾% Cumulative Redeemable Preferred Shares (the "5¾% Preferred Shares") of the Corporation is being called for Shareholders to consider and, if thought fit, to pass, with or without amendment, a special resolution (the "Amalgamation Resolution") approving the amalgamation (the "Amalgamation") of the Corporation and HSC Hawker Canada Ltd. ("Holdings"), an indirect wholly-owned subsidiary of BTR plc ("BTR"), and approving the amalgamation agreement (the "Amalgamation Agreement") made as of the 18th day of February, 1994 between the Corporation, Holdings and Hawker Siddeley Management Limited ("HS Management"). The Amalgamation Agreement provides for the Amalgamation pursuant to the *Canada Business Corporations Act* (the "CBCA"). A copy of the full text of the Amalgamation Resolution is attached as Exhibit I to the Notice and a copy of the Amalgamation Agreement is attached as Appendix "A" to this Proxy Circular.

Holders of Common Shares and 5¾% Preferred Shares who were Shareholders of record at the close of business on February 21, 1994, or who subsequently become Shareholders and, in accordance with the provisions of the CBCA, make a request to vote to the Secretary of the Corporation not later than ten days before the Special Meeting will be entitled to vote. Each outstanding Common Share and each outstanding 5¾% Preferred Share entitles the holder thereof to one vote in respect of the Amalgamation Resolution. As at the close of business on February 25, 1994, the Corporation had issued and outstanding 8,202,351 Common Shares and 140,000 5¾% Preferred Shares (collectively the "Shares"). The Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE"), The Montreal Exchange and the Vancouver Stock Exchange (collectively the "Exchanges").

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone by officers and directors or other representatives of the Corporation who will not receive any extra compensation for such activities. The total cost of the solicitation shall be borne by BTR. To the knowledge of the directors and officers of the Corporation, the only person or corporation beneficially owning or exercising control or direction over more than 10% of the Common Shares is Holdings, which owns 4,816,646 Common Shares representing approximately 58.7% of the issued and outstanding Common Shares. Hawker Investments Canada Inc. ("Hawker Investments"), an indirect wholly-owned subsidiary of BTR, owns 58,500 5¾% Preferred Shares representing approximately 41.8% of the outstanding 5¾% Preferred Shares. Holdings and Hawker Investments have informed the Corporation that they intend to vote the Shares owned by them in favour of the Amalgamation Resolution.

Appointment and Revocation of Proxies

The persons named in the form of proxy accompanying this Proxy Circular are directors and officers of the Corporation. A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent such Shareholder at the Special Meeting may do so either by inserting such person's name in the blank space

provided in the form of proxy or by completing another proper form of proxy. To be effective at the Special Meeting, a completed proxy must be deposited with the Secretary of the Corporation on or before 4:00 p.m. (Toronto time) on March 25, 1994 or, in the case of an adjournment of the Special Meeting, a completed proxy must be deposited with the Secretary of the Corporation at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of any adjournment.

A Shareholder who has given a proxy may revoke the proxy by instrument in writing executed by the Shareholder or by such Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized, deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Special Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the Special Meeting on the day of the Special Meeting or any adjournment thereof, or in any other manner permitted by law, and upon any of such deposits the proxy is revoked. The execution or exercise of a proxy does not constitute a written objection for the purposes of the right to dissent provided in Section 190 of the CBCA. See "Special Meeting of Shareholders — Right to Dissent".

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the Shares in respect of which they are appointed for or against the Amalgamation Resolution in accordance with the direction of the Shareholder appointing them, including in respect of any ballot that may be called for at the Special Meeting. **In the absence of such direction, such persons will vote such Shares FOR the Amalgamation Resolution.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Special Meeting or any adjournment thereof. At the time of printing this Proxy Circular the management of the Corporation knows of no such amendments, variations or other matters to come before the Special Meeting other than the matters referred to in the Notice.

The Amalgamation constitutes a "related party transaction" within the meaning of Ontario Securities Commission Policy 9.1 ("O.S.C. Policy 9.1") and General Instruction No. Q-27 ("Q-27") under the *Quebec Securities Act*. In that regard, waivers have been sought and obtained in respect of any formal valuation or minority shareholders' approval that would otherwise have been required in connection with the Amalgamation under O.S.C. Policy 9.1 and Q-27. In addition, the Amalgamation constitutes a change in the capital structure of the Corporation requiring the approval of the Exchanges, which approval has been obtained, subject to the satisfaction of certain conditions. See "Corporate, Securities Law and Stock Exchange Compliance Matters". Except in relation to the foregoing, the Amalgamation and related transactions have not been approved or disapproved by any securities commission or other regulatory authority, nor has any such commission or regulatory authority passed upon the fairness or merits of such transactions, nor upon the adequacy or accuracy of the information contained in this Proxy Circular.

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INTRODUCTORY SUMMARY OF THE CONTENTS OF THE PROXY CIRCULAR

The following is a summary of certain information contained elsewhere in this Proxy Circular relating to the Amalgamation. The summary is provided for convenience only and the information contained in this summary is qualified by the more detailed information and financial statements contained in the body of this Proxy Circular, including the Appendices hereto. Except as otherwise specifically stated, the information contained herein is given as of February 28, 1994. Unless otherwise indicated, all references to dollar amounts in this Proxy Circular are to Canadian dollars. Defined terms in this summary shall have the meanings ascribed to them herein and elsewhere in this Proxy Circular.

Introduction

Subject to obtaining certain approvals, waivers and exemptions from corporate and securities regulatory authorities and conditional upon passage of the Amalgamation Resolution and the satisfaction of certain other conditions (described below under "Description of Material Contracts and Related Transactions"), the Corporation and Holdings will amalgamate and continue as one corporation under the name "Hawker Siddeley Canada Inc." (the post-amalgamation corporation is referred to herein as "Amalco").

Directors' Recommendation

The Board of Directors of the Corporation recommends that Shareholders vote for the Amalgamation Resolution approving the Amalgamation and the Amalgamation Agreement. See "Directors' Recommendation Regarding the Amalgamation Resolution".

The Parties

The Corporation was incorporated by letters patent under the laws of Canada in 1945 under the name "A.V. Roe Canada Limited" and was continued under the CBCA by certificate and articles of continuance dated July 1, 1980. The name of the Corporation was changed by supplementary letters patent from "A.V. Roe Canada Limited" to "Hawker Siddeley Canada Limited" on May 1, 1962 and was further changed by certificate and articles of continuance to "Hawker Siddeley Canada Inc." on July 1, 1980. See "Information Concerning Hawker Siddeley Canada Inc.".

Holdings is a wholly-owned subsidiary of HS Management which, in turn, is an indirect, wholly-owned subsidiary of BTR. Holdings was incorporated by letters patent under the laws of Canada on July 10, 1956 and was continued under the CBCA by certificate and articles of continuance dated October 9, 1980. The name of Holdings was changed from "Racair Limited" to "HSC Hawker Canada Ltd." by certificate and articles of amendment dated January 20, 1994. Holdings does not carry on any active business and has no assets other than 4,816,646 Common Shares and dividends to be received from the Corporation (as described below). Holdings currently has no liabilities. See "Information Concerning HSC Hawker Canada Ltd.".

Business and Property of the Corporation

The Corporation, through its various divisions and subsidiaries, carries on a diversified range of geographically dispersed businesses which are classified into two industry segments, namely, "Transportation and Industrial Products" and "Resource Industry Equipment". The operations of the Corporation are located in Canada, the United States and the United Kingdom.

In the Transportation and Industrial Products segment, the Corporation: provides full service railcar leasing and repair, and maintenance; manufactures components for aero engines and industrial gas turbines; repairs and overhauls aero engines and industrial gas turbines; and manufactures high integrity, carbon, stainless, and heat

resisting steel castings for energy and other high technology industries. Recent restructuring action that has been taken by the Corporation in this segment includes the closing of an unprofitable division that manufactured wrought steel wheels for the railway industry and the disposal of a small specialty machine shop that produced precision gears. See "Information Concerning Hawker Siddeley Canada Inc. — Business of the Corporation".

In the Resource Industry Equipment segment, the Corporation: is engaged in the manufacture and sale of equipment for the sawmill and soft wood lumber processing industry; manufactures mining equipment for coal and other soft rock mining and machinery for civil engineering tunnelling and bulk materials handling systems; provides roof and civil tunneling support systems for mine roadways and civil engineering tunnels; and provides project management, contract engineering and labour resources for mine development, mine closures and civil engineering infrastructure tunnelling. An asset acquisition made in December, 1992 which was combined with existing operations during 1993 has positioned this business segment as one of the leading manufacturers of sawmill equipment in North America. See "Information Concerning Hawker Siddeley Canada Inc. — Business of the Corporation".

Authorized and Issued Capital of the Corporation

The authorized capital of the Corporation consists of an unlimited number of Common Shares of which 8,202,351 are issued and outstanding as fully paid; 140,000 5¾% Preferred Shares of which 140,000 are issued and outstanding as fully paid; and an unlimited number of Preferred Shares ("Preferred Shares") of which none is issued and outstanding. See "Information Concerning Hawker Siddeley Canada Inc. — Description of the Share Capital of the Corporation".

Voting Shares

Each Common Share and 5¾% Preferred Share carries the right to one vote in respect of the Amalgamation Resolution. Shareholders of record at the close of business on February 21, 1994 are entitled to receive notice of the Special Meeting and are entitled to vote at the Special Meeting, except to the extent that a holder has transferred any of such Shareholder's Common Shares and/or 5¾% Preferred Shares, as the case may be, after that date, in which event the transferee is entitled to vote such Common Shares and/or 5¾% Preferred Shares, as the case may be, if such transferee produces properly endorsed certificates or otherwise establishes that such transferee owns such Common Shares and/or 5¾% Preferred Shares and requests not later than ten days before the Special Meeting that such transferee's name be included in the list of persons entitled to vote at the Special Meeting. To the knowledge of the directors and officers of the Corporation, the only person or corporation beneficially owning or exercising control or direction over:

(a) shares carrying more than 10% of the voting rights attached to the Common Shares is Holdings which owns 4,816,646 Common Shares representing approximately 58.7% of the issued and outstanding Common Shares (See "Information Concerning Hawker Siddeley Canada Inc. — Principal Holders of Securities of the Corporation"); and

(b) shares carrying more than 10% of the voting rights attached to the 5¾% Preferred Shares is Hawker Investments, an indirect wholly-owned subsidiary of BTR, which owns 58,500 5¾% Preferred Shares representing approximately 41.8% of the outstanding 5¾% Preferred Shares (See "Information Concerning Hawker Siddeley Canada Inc. — Principal Holders of Securities of the Corporation").

The Amalgamation and Special Warrant Transaction

On February 18, 1994, HS Management sold 4,816,646 special warrants (the "Special Warrants") of HS Management to certain purchasers pursuant to an underwriting agreement (the "Underwriting Agreement") dated February 7, 1994 between the Corporation, Holdings, HS Management, BTR and RBC Dominion Securities Inc., Nesbitt Thomson Inc., Gordon Capital Corporation, First Marathon Securities Limited and ScotiaMcLeod Inc. (collectively, the "Underwriters"). Each Special Warrant is exercisable upon the satisfaction of certain conditions for one common share of Holdings. Exercise of the Special Warrants will occur after receipts have been issued for a prospectus qualifying the common shares of Holdings for distribution in each of the provinces of Canada, the Amalgamation Resolution has been approved and certain other conditions have been satisfied. After exercise of the Special Warrants, the common shares of Holdings will be held by the purchasers of the Special Warrants. The transaction was structured in this manner to permit HS Management to sell its shares of Holdings rather than having Holdings sell its Common Shares. See "The Amalgamation".

Following the exercise of the Special Warrants, it is proposed that Holdings and the Corporation will amalgamate so that holders of the common shares of Holdings will thereafter have a direct interest in the Corporation. In connection with the Amalgamation, holders of Common Shares (other than Holdings), holders of 5¾% Preferred Shares and holders of common shares of Holdings will receive common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco on a common share-for-common share and preferred share-for-preferred share basis. The number of common shares of Holdings outstanding immediately prior to the Amalgamation will be equal to the number of Common Shares held by Holdings. The Common Shares held by Holdings will be cancelled upon the Amalgamation in accordance with the requirements of the CBCA. The number of issued and outstanding common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco outstanding immediately after the Amalgamation will therefore be equal in number to the number of issued and outstanding Common Shares and 5¾% Preferred Shares, respectively, immediately prior to the Amalgamation. See "The Amalgamation — Effect of the Amalgamation — Conversion of Shares of the Corporation".

The conversion of shares of the Corporation and Holdings into shares of Amalco will be exempt from applicable registration and prospectus requirements in each of the provinces of Canada. However, the first trade of Amalco common shares and Amalco 5¾% cumulative redeemable preferred shares will be a trade which is subject to the registration and prospectus provisions of the securities laws of each of the provinces of Canada other than Manitoba and New Brunswick. Under applicable securities legislation in the provinces of British Columbia, Ontario and Quebec, an exemption from the prospectus requirements will be available on the basis that the Corporation has been a reporting issuer in each of such provinces for at least twelve months prior to the effective date of the Amalgamation, subject to compliance with certain filing, notice or other requirements. In the province of Prince Edward Island, an exemption from applicable prospectus requirements will be available on the basis that the Amalco common shares and preferred shares will be listed on one or more of the Exchanges. See "Corporate, Securities Law and Stock Exchange Compliance Matters — Approval of the Exchanges". With respect to the prospectus requirements applicable in the provinces of Alberta, Saskatchewan, Nova Scotia and Newfoundland, the Corporation has made application to securities regulatory authorities in each of such provinces requesting, in effect, that the first trade of Amalco common shares and Amalco 5¾% cumulative redeemable preferred shares will not be subject to the prospectus requirements applicable in such provinces, subject to compliance with certain filing, notice or other requirements. Completion of the Amalgamation will be subject to obtaining such exemptive relief in form satisfactory to the Corporation, Holdings and the Underwriters and otherwise complying with the related requirements and conditions of applicable securities laws in each of the provinces of Canada. See "Corporate, Securities Law and Stock Exchange Compliance Matters — First Trade Exemptions Under Applicable Provincial Securities Legislation".

As described more fully below, upon the Amalgamation occurring and the resultant assumption by Amalco of the assets and liabilities of Holdings and the Corporation, the assets, liabilities and outstanding equity of Amalco will be identical to the pre-amalgamation assets, liabilities and outstanding equity of the Corporation except that Amalco will assume certain contingent liabilities in respect of the prospectus qualifying the common shares of Holdings for distribution upon exercise of the Special Warrants and arising from any breach by Holdings or the Corporation of the representations, warranties and covenants contained in the Underwriting Agreement and the agreements contemplated thereby (collectively, the "Agreements"). The Corporation and Amalco will be fully indemnified by BTR for all such contingent liabilities, other than those relating to the Corporation. BTR has provided the Corporation and Amalco with an indemnity in respect of 58.7% of such other contingent liabilities. See "The Amalgamation — Effect of the Amalgamation — Effect on Rights, Entitlements and Interests of Existing Shareholders".

Special Meeting and Votes Required

At the Special Meeting, the Shareholders will be asked to consider and, if thought fit, to pass, with or without amendment, the Amalgamation Resolution approving the Amalgamation and the Amalgamation Agreement. The Amalgamation Resolution, to become effective, must be passed by a majority of not less than two-thirds of the votes cast at the Special Meeting by the holders of Common Shares and 5¾% Preferred Shares, who vote in respect of such resolution, voting together. Holdings and Hawker Investments, which own approximately 58.7% of the issued and outstanding Common Shares and 41.8% of the issued and outstanding 5¾% Preferred Shares, respectively, have informed the Corporation that they intend to vote the Shares owned by them in favour of the Amalgamation

Resolution. See "Special Meeting of Shareholders — Votes Required for Shareholder Approval of the Amalgamation".

Shareholders' Dissent Rights

Each Shareholder has the right to dissent in respect of the Amalgamation. To exercise such right, a Shareholder must send to the Corporation written objection to the Amalgamation and otherwise comply with Section 190 of the CBCA. If the Amalgamation becomes effective, such dissenting Shareholder shall be entitled to be paid the fair value of the Shares owned by such Shareholder in accordance with Section 190 of the CBCA. See "Special Meeting of Shareholders — Right to Dissent" and Appendix "C" — "Canada Business Corporations Act — Section 190".

Continued Listing of Amalco Common Shares and Amalco 5¾% Cumulative Redeemable Preferred Shares

The Common Shares and 5¾% Preferred Shares are listed and posted for trading on the Exchanges. Each of the Exchanges has conditionally approved the substitutional listing of the common shares of Amalco and the 5¾% cumulative redeemable preferred shares of Amalco. Such substitutional listing is subject to the Corporation fulfilling all of the requirements of the Exchanges on or before May 12, 1994. See "Information Concerning Amalco — Continued Listing of Amalco Common Shares and Amalco 5¾% Preferred Shares".

Qualification for Investment

The common shares of Amalco and the 5¾% cumulative redeemable preferred shares of Amalco to be issued in connection with the Amalgamation will be eligible investments under certain statutes. See "Eligibility for Investment".

Summary of Canadian Federal Income Tax Considerations

Except for a Shareholder who exercises a right of dissent as described under "Special Meeting of Shareholders — Right to Dissent", no gain or loss under Canadian federal income tax legislation will be realized upon the conversion of Common Shares and/or 5¾% Preferred Shares into common shares of Amalco and/or 5¾% cumulative redeemable preferred shares of Amalco upon the Amalgamation. See "Canadian Federal Income Tax Considerations — Tax Consequences of Amalgamation".

Approvals, Waivers and Exemptive Relief from the Provisions of Applicable Law, Policies and Exchange Regulations

The Amalgamation constitutes a "related party transaction" within the meaning of O.S.C. Policy 9.1 and Q-27. The Ontario Securities Commission and the Quebec Securities Commission have waived the requirements for minority shareholder approval and formal valuations in connection with the Amalgamation, subject to compliance with certain conditions and on the basis of certain representations made to those regulatory authorities. See "Corporate, Securities Law and Stock Exchange Compliance Matters".

Selected Consolidated Financial Information

The selected consolidated financial information set forth below for each of the years in the five year period ended December 31, 1993, has been derived from the audited consolidated financial statements of the Corporation. The selected consolidated financial information should be read in conjunction with the consolidated financial statements of the Corporation and related notes thereto included in Appendix "B" to this Proxy Circular and in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Fiscal years ended December 31				
	1993	1992	1991	1990	1989
	(millions of dollars except per share data)				
Sales	$351.7	$338.9	$361.1	$378.1	$332.9
Operating profit	40.4	43.7	33.1	44.4	40.2
Interest expense	9.8	8.0	5.7	3.1	0.8
Earnings before income taxes	30.6	35.7	27.4	41.3	39.4
Income taxes	12.5	14.5	10.6	12.7	13.8
	18.1	21.2	16.8	28.6	25.6
Minority shareholder's interest	5.8	5.6	5.1	4.9	4.4
Earnings from continuing operations	12.3	15.6	11.7	23.7	21.2
Discontinued operations	(15.5)	(0.2)	(0.4)	—	(7.5)
Net earnings/(loss)	(3.2)	15.4	11.3	23.7	13.7
Earnings/(loss) per common share					
Continuing operations	1.40	1.81	1.34	2.80	2.49
Discontinued operations	(1.89)	(0.03)	(0.05)	—	(0.91)
	(0.49)	1.78	1.29	2.80	1.58
Dividends per common share	1.08	1.08	1.08	1.08	1.08
Shareholders' equity					
Preferred shareholders	14.0	14.0	14.0	14.0	14.0
Common shareholders	229.6	240.0	234.6	234.9	212.4
	243.6	254.0	248.6	248.9	226.4
Net borrowings					
Long-term debt of leasing subsidiary (1)	121.7	79.5	87.3	45.3	53.6
(Cash)/current bank advances	(18.6)	0.1	(20.9)	(4.7)	(51.1)
	103.1	79.6	66.4	40.6	2.5

Note:

(1) The current portion of long-term debt is included in the above figures.

SPECIAL MEETING OF SHAREHOLDERS

General

The Special Meeting has been called to consider and, if thought fit, to pass, with or without amendment, the Amalgamation Resolution approving the Amalgamation and the Amalgamation Agreement. As a result of the Amalgamation, the Corporation and Holdings will amalgamate and continue as one corporation under the name "Hawker Siddeley Canada Inc.".

Votes Required for Shareholder Approval of the Amalgamation

To become effective, the Amalgamation Resolution must be passed by a majority of not less than two-thirds of the votes cast at the Special Meeting by holders of Common Shares and 5¾% Preferred Shares who vote in respect of such resolution, voting together. Holdings and Hawker Investments, which own approximately 58.7% of the Common Shares and 41.8% of the 5¾% Preferred Shares, respectively, have informed the Corporation that they intend to vote the Shares owned by them in favour of the Amalgamation Resolution. At the close of business on February 25, 1994, there were 8,202,351 Common Shares and 140,000 5¾% Preferred Shares issued and outstanding and listed and posted for trading on the Exchanges.

Right to Dissent

Section 190 of the CBCA provides Shareholders with the right to dissent from the Amalgamation Resolution. Section 190 of the CBCA is reproduced in its entirety in Appendix "C" to this Proxy Circular. The following summary is qualified in its entirety by the provisions of Section 190 of the CBCA.

Any Shareholder who dissents from the Amalgamation Resolution ("Dissenting Shareholder") in strict compliance with Section 190 of the CBCA will be entitled, in the event the Amalgamation becomes effective, to be paid by Amalco the fair value of the Shares held by such Dissenting Shareholder determined as at the close of business on the day before the Special Meeting (or any adjournment thereof).

Notwithstanding the foregoing, Amalco is not permitted to make a payment to a Dissenting Shareholder if there are reasonable grounds for believing that:

(a) Amalco is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of Amalco's assets would thereby be less than the aggregate of its liabilities and stated capital of all issued and outstanding shares ((a) and (b) are collectively referred to herein as the "Solvency Test").

A Shareholder who wishes to dissent must send to the Corporation, no later than the termination of the Special Meeting (or any adjournment thereof), a written objection to the Amalgamation Resolution (a "Dissent Notice"). A Shareholder who fails to send such a Dissent Notice has no right to make a claim under Section 190 of the CBCA. The filing of a Dissent Notice does not deprive a Shareholder who has submitted a Dissent Notice from voting in favour of the Amalgamation Resolution. A Shareholder voting in favour of the Amalgamation Resolution will no longer be considered a Dissenting Shareholder with respect to the Shares voted in favour of the Amalgamation Resolution. The CBCA does not provide, and the Corporation will not assume, that a vote against the Amalgamation Resolution, a proxy specified to be voted against the Amalgamation Resolution or an abstention from voting on the Amalgamation Resolution will constitute a Dissent Notice. Under the CBCA, there is no right of partial dissent and, accordingly, a Dissenting Shareholder may only dissent with respect to all Common Shares and/or all 5¾% Preferred Shares held by such Dissenting Shareholder on behalf of any one beneficial owner and which are registered in the name of the Dissenting Shareholder.

The Corporation is required, within ten days after the Amalgamation Resolution has been adopted by the Shareholders, to notify each Shareholder who has filed a Dissent Notice that the Amalgamation Resolution has been adopted, but such notice is not required to be sent to any Shareholder who voted for the Amalgamation Resolution or who has withdrawn such Shareholder's Dissent Notice.

A Dissenting Shareholder must then, within 20 days after receipt of notice that the Amalgamation Resolution has been adopted or, if such Dissenting Shareholder does not receive such notice, within 20 days after such Dissenting Shareholder learns that the Amalgamation Resolution has been adopted, send to the Corporation a written notice (a "Payment Demand") containing such Dissenting Shareholder's name and address, the number of Shares in respect of which such Dissenting Shareholder dissents and a demand for payment of the fair value of such

Shares. Within 30 days after sending a Payment Demand, the Dissenting Shareholder must send to The R-M Trust Company ("R-M Trust") the certificates representing the Shares in respect of which such Dissenting Shareholder dissented. A Dissenting Shareholder who fails to send a Payment Demand or the certificates representing the Shares in respect of which such Dissenting Shareholder dissented has no right to make a claim under Section 190 of the CBCA. R-M Trust will endorse on any certificates representing Shares received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the certificates representing such Shares to the Dissenting Shareholder.

On sending a Payment Demand to the Corporation, a Dissenting Shareholder ceases to have any rights as a shareholder, other than the right to be paid the fair value of such Dissenting Shareholder's Shares as determined under Section 190 of the CBCA, except where:

(a) the Dissenting Shareholder withdraws the Payment Demand before the Corporation makes an offer pursuant to the CBCA;

(b) the Corporation fails to make an offer as hereinafter described and the Dissenting Shareholder withdraws the Payment Demand; or

(c) the Amalgamation Agreement is terminated,

in which case such Dissenting Shareholder's rights as a shareholder of the Corporation are reinstated as of the date the Payment Demand was sent.

The Corporation is required, not later than seven days after the later of the effective date of the Amalgamation (the "Effective Date") or the date on which the Corporation receives the Payment Demand from a Dissenting Shareholder, to send to each Dissenting Shareholder who has sent a Payment Demand a written offer to pay ("Offer to Pay") for such Dissenting Shareholder's Shares in an amount considered by the directors of the Corporation to be the fair value thereof, accompanied by a statement showing the manner in which the fair value was determined and every Offer to Pay in respect of Common Shares or 5¾% Preferred Shares, as the case may be, must be on the same terms. The Corporation must pay for the Shares of a Dissenting Shareholder within ten days after the Offer to Pay has been accepted, but any such offer lapses if the Corporation does not receive an acceptance thereof within 30 days after the Offer to Pay has been made.

Notwithstanding the foregoing, the Corporation is not permitted to make an Offer to Pay where the Solvency Test is not satisfied. In such circumstances, the Corporation shall, not later than seven days after the later of the Effective Date or the date on which the Corporation receives the Payment Demand from a Dissenting Shareholder, notify each Dissenting Shareholder that it is unable lawfully to pay for such Dissenting Shareholder's Shares. In this event, a Dissenting Shareholder, by written notice delivered to the Corporation within 30 days after receiving such a notice from the Corporation, may:

(a) withdraw the Dissenting Shareholder's Dissent Notice, in which case the Corporation is deemed to consent to the withdrawal and the Dissenting Shareholder is reinstated to full rights as a shareholder; or

(b) retain a status as a claimant against the Corporation, to be paid as soon as the Corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the Corporation, but in priority to its shareholders.

If the Corporation fails to make an Offer to Pay for Shares of a Dissenting Shareholder, or if a Dissenting Shareholder fails to accept an offer which has been made, the Corporation may, within 50 days after the Effective Date or within such further period as a court may allow, apply to a court to fix a fair value for the Shares of a Dissenting Shareholder. If the Corporation fails to apply to a court, a Dissenting Shareholder may apply to a court for the same purpose within a further period of 20 days or within such further period as a court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

Upon an application to a court, all Dissenting Shareholders whose Shares have not been purchased by the Corporation will be joined as parties and bound by the decision of the court, and the Corporation will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of such Dissenting Shareholder's right to appear and be heard in person or by counsel. Upon any such application to a court, the court may determine whether any other person is a Dissenting Shareholder who should be joined as a party, and the court will then fix a fair value for the Shares of all Dissenting Shareholders. The final order of a court will be rendered against the Corporation in favour of each Dissenting Shareholder and for the amount of the fair value of

the Dissenting Shareholders' Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Effective Date until the date of payment.

The above is only a summary of Section 190 of the CBCA, the provisions of which are technical and complex. Any Shareholder wishing to make use of the rights under such Section should seek legal advice as failure to comply strictly with such Section may prejudice the right to dissent. For a general summary of certain income tax implications to a Dissenting Shareholder, see "Canadian Federal Income Tax Considerations".

THE AMALGAMATION

Background to the Planned Divestiture by BTR of Its Majority Interest in the Corporation

In November, 1991, BTR became the controlling shareholder of Hawker Siddeley Group Limited (previously known as Hawker Siddeley Group plc) ("HS Group"). HS Group owns all of the issued and outstanding shares of HS Management, which in turn owns all of the issued and outstanding shares of Holdings. At the time of the BTR takeover of HS Group, Holdings owned (and continues to own) 4,816,646 Common Shares and, as a result, BTR became (and continues to be) the indirect controlling shareholder of the Corporation. In addition, in connection with the BTR takeover of HS Group, BTR acquired 58,500 5¾% Preferred Shares representing approximately 41.8% of the issued and outstanding 5¾% Preferred Shares. Such 5¾% Preferred Shares are currently held by Hawker Investments, which in turn is an indirect wholly-owned subsidiary of BTR.

BTR, HS Group and HS Management are each companies incorporated and existing under the laws of the United Kingdom. BTR is a public company, the shares of which are listed on the London Stock Exchange and certain other international stock exchanges. Hawker Investments is a corporation incorporated and existing under the laws of Canada.

On January 18, 1994, BTR announced its intention to dispose of its indirect interest in the 4,816,646 Common Shares. BTR has indicated that it does not have any present intention to dispose of its 41.8% indirect interest in the 5¾% Preferred Shares.

The following is a chronological description of the various transactions that have occurred or are contemplated in connection with BTR's disposition of the shares in Holdings:

- On February 7, 1994, BTR, HS Management, Holdings, the Corporation and the Underwriters entered into the Underwriting Agreement pursuant to which HS Management agreed to create and sell, and the Underwriters agreed to purchase, 4,816,646 special warrants (previously defined as the "Special Warrants") at a price of $25.25 for each Special Warrant. Subject to the satisfaction of certain considerations, the Special Warrants are exercisable for 4,816,646 common shares of Holdings. The Underwriters were authorized under the Underwriting Agreement to arrange for substitute purchasers of the Special Warrants. The transaction was structured in this manner to permit HS Management to sell its shares of Holdings rather than have Holdings sell its Common Shares.
- On February 18, 1994, HS Management completed the sale of the Special Warrants on a private placement basis and the sale proceeds were placed in escrow with R-M Trust.
- On February 25, 1994, Holdings filed a preliminary prospectus (the "Preliminary Prospectus") with the Ontario Securities Commission (the "Commission") and subsequently with securities commissions or similar regulatory authorities in each of the other provinces of Canada in order to qualify for distribution in each of the provinces of Canada the common shares of Holdings exchangeable upon exercise of the Special Warrants. Among other things, the Preliminary Prospectus describes the terms of the Special Warrants and contains disclosure respecting the properties and business activities of the Corporation.
- Exercise of the Special Warrants will be conditional upon, among other things, obtaining receipts from the securities commissions or similar regulatory authorities (the "Securities Commissions") in each of the provinces of Canada in respect of the final prospectus (the "Final Prospectus") qualifying for distribution the common shares of Holdings, the passage of the Amalgamation Resolution by Shareholders at the Special Meeting, final approval of the Board of Directors of each of HS Management, Holdings and the Corporation to proceed with the Amalgamation and obtaining all required regulatory approvals in connection with the proposed transactions. If these and certain other conditions are not satisfied on or

before May 31, 1994, HS Management will be required to repurchase all Special Warrants using the proceeds of the Special Warrant offering and interest thereon. See "Description of Material Contracts and Related Transactions — The Warrant Indenture".

- The Special Warrants will be exercised on the last business day of the month during which the foregoing conditions are satisfied. Upon exercise of the Special Warrants, the holders thereof will become the owners of all of the issued and outstanding common shares of Holdings which, in turn, owns 4,816,646 Common Shares representing approximately 58.7% of the Common Shares. See "Description of Material Contracts and Related Transactions — The Warrant Indenture".
- It is contemplated that, subject to the satisfaction of the aforementioned conditions, articles of amalgamation effecting the Amalgamation will be filed in advance with the Director under the CBCA, together with all other required documentation, with the effective date of the Amalgamation to be the first day of the month following the month in which the Special Warrants are exercised. See "Description of Material Contracts and Related Transactions — Conditions to the Implementation of the Amalgamation".

Effect of the Amalgamation

Conversion of Shares of the Corporation

Pursuant to the Amalgamation Agreement, holders of Common Shares, other than Holdings, and holders of 5¾% Preferred Shares and holders of common shares of Holdings, will receive common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco on a common share-for-common share and preferred share-for-preferred share basis. The number of common shares of Holdings which will be outstanding at the time of the Amalgamation will be equal to the number of Common Shares held by Holdings at the time of the Amalgamation. The Common Shares held by Holdings will be cancelled in accordance with the requirements of the CBCA upon the Amalgamation and no shares of Amalco will be issued therefor. Accordingly, following the Amalgamation, the number of issued and outstanding common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco will be equal to the number of issued and outstanding Common Shares and 5¾% Preferred Shares, respectively, immediately prior to the Amalgamation. See "Description of Material Contracts and Related Transactions — The Amalgamation Agreement".

Entitlement of Holdings to Outstanding Dividends

It is a condition of the exercise of the Special Warrants that the Board of Directors of Holdings will, immediately after exercise of the Special Warrants and prior to the Amalgamation, declare a dividend in an aggregate amount equal to the Dividend Amount (as defined below). This dividend will be payable on the later of April 15, 1994 and the close of business on the Directed Exercise Date (as defined below) to holders of record of common shares of Holdings at the close of business on the Directed Exercise Date. This will result in the holders of Special Warrants receiving a dividend in the amount that they otherwise would have received had they been shareholders of record of the Corporation on March 15, 1994 (being the record date for the dividend payable on the Common Shares). See "HSC Hawker Canada Ltd. — Requirement to Declare Dividends".

Effect on Rights, Entitlements and Interests of Existing Shareholders

Immediately prior to the Amalgamation becoming effective:

(a) Holdings' assets will be limited to the following:

  (i) 4,816,646 Common Shares; and

  (ii) if the Amalgamation occurs before April 15, 1994, an unpaid dividend receivable from the Corporation in respect of the Common Shares held by Holdings, in an amount equal to $1,300,494.42 (the "Dividend Amount"); and

(b) Holdings' liabilities will be limited to the following:

  (i) if the Amalgamation occurs before April 15, 1994, an unpaid dividend declared on the Directed Exercise Date in an aggregate amount equal to the Dividend Amount; and

  (ii) contingent liabilities (the "Contingent Liabilities") resulting from any misrepresentation in the Preliminary Prospectus, the Final Prospectus and any liability arising from a breach of any representations, warranties and covenants of Holdings pursuant to any of the Agreements.

Upon Amalgamation, Holdings and the Corporation will continue as one corporation under the CBCA and will be named "Hawker Siddeley Canada Inc." The authorized capital (including the rights, privileges, restrictions and conditions attaching to Amalco common shares and Amalco 5¾% cumulative redeemable preferred shares), by-laws, registered office and auditors of Amalco will be the same as the authorized capital, by-laws, registered office and auditors of the Corporation. The Amalgamation will not adversely affect the holders of 5¾% Preferred Shares in respect of the accrual of dividends or rights to cumulative dividends on the 5¾% cumulative redeemable preferred shares of Amalco received by such holders on the first dividend paid on such shares following the Amalgamation. The Amalgamation Agreement provides for a minimum of 8 directors and a maximum of 15 directors on the Board of Directors of Amalco and also provides that the initial number of directors of Amalco shall be 10. The certificate and articles of amalgamation will be deemed pursuant to the CBCA to be the certificate and articles of incorporation of Amalco. The property of each of the Corporation and Holdings will continue to be the property of Amalco and Amalco will be liable for the obligations of, and any causes of action, claims, liability to prosecution, and any civil, criminal and administrative actions against, and and subject to convictions, rulings, orders and judgments in favour of or against, each of the Corporation and Holdings. The first directors of Amalco will be those persons referred to under "Information Concerning Amalco — Directors".

Accordingly, upon the Amalgamation and the resultant assumption by Amalco of the assets and liabilities of Holdings and the Corporation, the assets, liabilities and outstanding equity of Amalco, and the nature of the rights, privileges, restrictions and conditions attaching to the common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco will be the same as the pre-amalgamation assets, liabilities and outstanding equity of the Corporation, and the nature of the rights, privileges, restrictions and conditions attaching to the Common Shares and 5¾% Preferred Shares, respectively. Pursuant to the Indemnity Agreement (as defined below), BTR will indemnify and hold harmless the Corporation and Amalco in respect of a number of things, including the Amalgamation. See "Description of Material Contents and Related Transactions — The Indemnity Agreement".

Management After the Secondary Offering

Messrs. Faircloth and Thompson and Ms. O'Donovan have indicated that they will resign from the Board of Directors of the Corporation following the release from escrow to HS Management of proceeds from the sale of the Special Warrants. The Board of Directors of the Corporation intends to fill one of the vacancies created by the resignations at the time they occur with the appointment as a director of Beth M. Bandler, Secretary and General Counsel of the Corporation.

Pursuant to an existing arrangement, the Corporation pays $19,250 per quarter for the services of Messrs. Faircloth and Thompson and Ms. O'Donovan as directors of the Corporation. This arrangement will be terminated concurrently with the resignation of such persons from the Board of Directors of the Corporation.

Expenses of the Amalgamation

The expenses of the Corporation in connection with the sale of the Special Warrants and the Amalgamation will be paid for by BTR.

DESCRIPTION OF MATERIAL CONTRACTS AND RELATED TRANSACTIONS

The Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriters agreed to purchase, and HS Management agreed to sell, 4,816,646 Special Warrants at a price of $25.25 per Special Warrant for gross proceeds of $121,620,311.50, subject to the terms and conditions stated therein, including that the Underwriters could seek substitute purchasers for the Special Warrants. The sale of the Special Warrants on a private placement basis was completed on February 18, 1994 as provided for in the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Corporation made certain representations and warranties in favour of the Underwriters and purchasers of Special Warrants, including with respect to the business and affairs of the Corporation and its subsidiaries, the Preliminary Prospectus, the Final Prospectus and certain of the Agreements. The Corporation has also covenanted under the Underwriting Agreement to facilitate the transactions contemplated by the sale of the Special Warrants, the filing of the Preliminary Prospectus and the Final Prospectus and the Amalgamation, including permitting the Underwriters and their representatives to conduct a due diligence investigation, and to do all things reasonably necessary to give effect to the Amalgamation, subject to the discretion of the Board of Directors of the Corporation not to proceed with the Amalgamation.

The Warrant Indenture

The Special Warrants were created and issued under, and are governed by, a warrant indenture (the "Warrant Indenture") dated as of February 18, 1994, among HS Management, Holdings, RBC Dominion Securities Inc. and R-M Trust as warrant and escrow agent thereunder (the "Warrant and Escrow Agent"). Each Special Warrant entitles the holder thereof upon exercise, and without payment of any additional consideration, to receive one common share of Holdings, subject to adjustments in certain circumstances in accordance with the provisions of the Warrant Indenture. Pursuant to the terms of the Warrant Indenture, HS Management pledged its 4,816,646 common shares of Holdings to the Warrant and Escrow Agent as security for its covenant to transfer such shares to holders of Special Warrants upon the exercise of the Special Warrants.

Pursuant to the Warrant Indenture, the gross proceeds from the sale of the Special Warrants were deposited with the Warrant and Escrow Agent to be held until the last business day of the month during which the Escrow Condition (as described below) is satisfied (the "Directed Exercise Date"). The Special Warrants are exercisable in whole, but not in part, on the Directed Exercise Date. Under the terms of the Warrant Indenture, "Escrow Condition" means the delivery by HS Management or Holdings to the Warrant and Escrow Agent and RBC Dominion Securities Inc. of: (a) notarial copies of receipts from the Securities Commissions in respect of the Final Prospectus; (b) copies of letters from each of the Exchanges confirming that the common shares of Amalco will be listed and posted for trading on each of the Exchanges upon the Amalgamation becoming effective; (c) legal opinions in a stipulated form from counsel for each of Holdings and the Corporation; (d) certificates in a stipulated form from appropriate officers of each of BTR, HS Management, Holdings and the Corporation; (e) a certified copy of a special resolution of the shareholders of each of the Corporation and Holdings approving the Amalgamation, together with an officer's certificate from an officer of each of the Corporation and Holdings to the effect that all necessary corporate approvals for the implementation of the Amalgamation have been obtained; (f) a notarial copy of the certificate and articles of amalgamation giving effect to the Amalgamation, certified by the Director under the *CBCA* and dated the first day of the month immediately following the month in which the Escrow Condition will otherwise have been satisfied or such other evidence as may be satisfactory to RBC Dominion Securities Inc. as to the fact that the Amalgamation will be effective on the first day of the month immediately following the month in which the Escrow Condition will otherwise have been satisfied; (g) a sufficient number of copies of the Final Prospectus to enable the Warrant and Escrow Agent to send one copy to each holder of Special Warrants; (h) a certified copy of a resolution of the directors of Holdings effective immediately after the exercise of the Special Warrants declaring a dividend on the common shares of Holdings in the aggregate amount equal to the Dividend Amount payable on the later of April 15, 1994 and the Directed Exercise Date to holders of record at the close of business on the Directed Exercise Date; and (i) certificates issued by Revenue Canada under section 116 of the *Income Tax Act* (Canada) in respect of the exercise of the Special Warrants.

Holdings has covenanted under the Underwriting Agreement that, among other things, it will use all reasonable efforts to expeditiously obtain receipts for the Final Prospectus from the Securities Commissions for the purpose of qualifying the distribution of the common shares of Holdings transferable upon the exercise of the Special Warrants. BTR has agreed to pay the expenses incurred by Holdings in this regard.

In the event that the Escrow Condition has not been satisfied on or before May 31, 1994, the holders of the Special Warrants will be required to sell to HS Management, and HS Management will be required to repurchase from the holders, all of the Special Warrants then held by them at the purchase price thereof plus any interest earned thereon.

The Amalgamation Agreement

Holdings and the Corporation have agreed to amalgamate pursuant to the CBCA on the terms and subject to the conditions set forth in the Amalgamation Agreement and to continue as one corporation under the name "Hawker Siddeley Canada Inc.". A copy of the Amalgamation Agreement is attached hereto as Appendix "A".

Pursuant to the Amalgamation Agreement, holders of Common Shares (other than Holdings), holders of 5¾% Preferred Shares and holders of common shares of Holdings shall receive common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco on a common share-for-common share basis and preferred share-for-preferred share basis. The number of common shares of Holdings which are outstanding, and which will be outstanding at the time that the Amalgamation occurs, is equal to the number of Common Shares which are held by Holdings and will be held by Holdings at the time of the Amalgamation. The Common Shares held by Holdings

will be cancelled upon the Amalgamation becoming effective and no shares of Amalco will be issued therefor. The authorized capital, by-laws, registered office and auditors of Amalco will be identical to the authorized capital, by-laws, registered office and auditors of the Corporation. The Amalgamation Agreement provides for a minimum of 8 directors and a maximum of 15 directors on the Board of Directors of Amalco and also provides that the initial number of directors of Amalco shall be 10.

HS Management has provided a number of representations and warranties to the Corporation in the Amalgamation Agreement including a representation and warranty that Holdings does not have any debts, liabilities or obligations of any kind, other than liabilities in respect of dividends to be declared and paid on its common shares in an amount equal to the Dividend Amount. At the time of the Amalgamation, the only assets of Holdings will be 4,816,646 Common Shares and, if the Amalgamation occurs before April 15, 1994, dividends to be received on the Common Shares held by it in an amount equal to the Dividend Amount.

In the Amalgamation Agreement, Holdings has agreed to vote the Common Shares held by it in favour of the Amalgamation Resolution and to give the Corporation access to its books and records. HS Management has executed a special resolution, as sole shareholder of Holdings, to approve the Amalgamation and has agreed, prior to the effective date of the Amalgamation, to cause Holdings to conduct its business in the ordinary and normal course consistent with past practice.

The consummation of the transactions contemplated by the Amalgamation Agreement is subject to a number of conditions precedent, including: (a) approval of the Amalgamation Resolution by not less than two-thirds of the votes cast by holders of Common Shares and 5¾% Preferred Shares who vote in respect of such resolution, voting together; (b) obtaining all regulatory approvals; (c) receipt of notification from the Warrant and Escrow Agent under the Warrant Indenture, in the stipulated form; and (d) a decision by the Board of Directors of each of Holdings, the Corporation and HS Management to proceed with the Amalgamation and not to terminate the Amalgamation Agreement. The Amalgamation Agreement provides that articles of amalgamation will be filed upon satisfaction or waiver of each of the conditions precedent to the Amalgamation set forth therein. It also provides that the Amalgamation Agreement may be terminated by a written notification of HS Management, Holdings or the Corporation, delivered to each party to the Amalgamation Agreement and RBC Dominion Securities Inc. at any time prior to the date the conditions precedent to the Amalgamation are satisfied or waived.

The Indemnity Agreement

BTR and the Corporation entered into an indemnity agreement (the "Indemnity Agreement") dated February 7, 1994 pursuant to which BTR agreed with the Corporation to:

(a) cause HS Management and Holdings to perform all of their obligations under the Amalgamation Agreement; and

(b) indemnify the Corporation in respect of:

(i) all debts, liabilities or obligations whatsoever of Holdings, other than in respect of a dividend to be declared by Holdings on its common shares following the exercise of the Special Warrants and prior to the Amalgamation becoming effective in an amount equal to the Dividend Amount;

(ii) the legal, accounting, printing and regulatory costs and expenses of the transactions contemplated by the Amalgamation Agreement and the Underwriting Agreement;

(iii) the information booklet and any other documents or agreements delivered by HS Management to purchasers of the Special Warrants;

(iv) the Final Prospectus; provided that 41.3% of the amount of any losses resulting from a misrepresentation concerning the Corporation set forth in the Final Prospectus shall be for the account of the Corporation;

(v) any breach by the Corporation of the Underwriting Agreement; provided that 41.3% of the amount of any losses resulting from such a breach shall be for the account of the Corporation;

(vi) any breach by HS Management and/or Holdings of the Amalgamation Agreement; and

(vii) the Amalgamation, including any and all liabilities for taxes of the Corporation, Holdings and Amalco arising as a result of the Amalgamation.

The Board of Directors of the Corporation required the Indemnity Agreement as a condition to the Corporation agreeing to participate in the transactions contemplated by the Amalgamation Agreement and the Underwriting Agreement. In addition, the Indemnity Agreement was required by securities regulatory authorities as a condition to their waiving valuation and minority shareholder approval requirements. See "Corporate, Securities Law and Stock Exchange Compliance Matters — Minority Shareholder Approval and Valuation".

Conditions to the Implementation of the Amalgamation

The Amalgamation will become effective by the filing of articles of amalgamation with the Director under the CBCA with an effective date of the first day of the month following the month during which the exercise of the Special Warrants occurs. As of the effective date of the Amalgamation, Holdings and the Corporation will continue as one corporation under the CBCA. The property of each of Holdings and the Corporation will become the property of Amalco and Amalco will become liable for the obligations of each of Holdings and the Corporation.

CORPORATE, SECURITIES LAW AND STOCK EXCHANGE COMPLIANCE MATTERS

Minority Shareholder Approval and Valuation

O.S.C. Policy 9.1

Holdings is a "related party" of the Corporation within the meaning ascribed in O.S.C. Policy 9.1 and the Amalgamation is a "related party transaction" pursuant to O.S.C. Policy 9.1. As such, the provisions set forth in Part V of O.S.C. Policy 9.1 regarding disclosure, valuation requirements and minority shareholder approval would apply to the Amalgamation in the absence of exemptive relief.

On November 16, 1993, HS Management, Holdings and the Corporation applied to the Commission for relief from the valuation and minority shareholder approval requirements of O.S.C. Policy 9.1 in connection with the Amalgamation. On January 14, 1994, the Commission granted a waiver from the valuation and minority shareholder approval requirements of O.S.C. Policy 9.1 upon the basis of certain representations relating to the effect of the Amalgamation on the shareholders of the Corporation and that the Corporation would be provided with an indemnity in respect of the costs, expenses and liabilities incurred by the Corporation in connection with the Amalgamation. The Commission's waiver is subject to compliance with all other applicable provisions of O.S.C. Policy 9.1 and the *Securities Act* (Ontario), including the disclosure requirements applicable to this Proxy Circular.

Quebec Securities Commission Policy Q-27

HS Management, Holdings and the Corporation also applied for and obtained an exemption from the Quebec Securities Commission in respect of the valuation and minority shareholder approval requirements of Section 106.1 of the Quebec Regulation and from Sections 19 and 56 of the General Instruction No. Q-27 on the basis that the Corporation would be provided with an indemnity of all charges and expenses arising from the Amalgamation.

Approval of the Exchanges

Each of the Exchanges has accepted the Corporation's notice of the Amalgamation and conditionally approved the substitutional listing of all shares of Amalco to be issued following the Amalgamation, subject to certain requirements. These requirements, including compliance with O.S.C. Policy 9.1, must be fulfilled by the Corporation on or before May 12, 1994.

First Trade Exemptions Under Applicable Provincial Securities Legislation

The conversion of shares of the Corporation and Holdings into shares of Amalco will be exempt from applicable registration and prospectus requirements in each of the provinces of Canada, subject to completion of certain filing obligations applicable in the province of Quebec. However, the first trade of Amalco common shares and Amalco 5¾% cumulative redeemable preferred shares will be a trade which is subject to the provisions of the securities laws of each of the provinces of Canada other than Manitoba and New Brunswick. Under applicable securities legislation in the provinces of British Columbia, Ontario and Quebec, an exemption from the prospectus requirements will be available on the basis that the Corporation has been a reporting issuer in such provinces for at least twelve months prior to the effective date of the Amalgamation, subject to compliance with certain filing, notice or other requirements. In the province of Prince Edward Island, an exemption from applicable prospectus requirements will be available on the basis that the Amalco common shares and Amalco 5¾% cumulative

redeemable preferred shares will be listed on one or more of the Exchanges. See "Corporate, Securities Laws and Stock Exchange Compliance Matters — Approval of the Exchanges". With respect to the prospectus requirements applicable in the provinces of Alberta, Saskatchewan, Nova Scotia and Newfoundland, the Corporation has made an application to the securities regulatory authority in each province requesting, in effect, that the first trade of Amalco common shares and Amalco 5¾% cumulative redeemable preferred shares will not be subject to the prospectus requirements applicable under that province's securities legislation, subject to compliance with certain filing, notice and other requirements. Completion of the Amalgamation will be subject to obtaining such exemptive relief satisfactory in form to the Corporation, Holdings and the Underwriters and otherwise complying with the related requirements and conditions of applicable securities laws in each of the provinces of Canada.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon, counsel to the Corporation, the following is a summary of the principal Canadian federal income tax considerations generally applicable to shareholders of the Corporation who for the purposes of the *Income Tax Act* (Canada) (the "Act"): (a) deal at arm's length with the Corporation and Holdings; (b) hold their Common Shares and 5¾% Preferred Shares as capital property; and (c) are resident in Canada.

This summary is based on the current provisions of the Act, the regulations thereunder (the "Regulations"), the Income Tax Application Rules, 1971 (the "ITAR") and counsel's understanding of the current published administrative and assessing practices of Revenue Canada, Customs, Excise & Taxation ("Revenue Canada"). This summary takes into account proposed changes to the Act, the Regulations and the ITAR publicly released by the Department of Finance prior to the date hereof. No assurances can be given that the proposed changes will be enacted in the form proposed or at all. Except for such proposed changes, the summary does not take into account or anticipate any changes to the law or the administrative or assessing practices of Revenue Canada whether by legislative, governmental or judicial action and does not take into account provincial, territorial, or foreign income tax legislation or considerations. This summary does not take into account the effect, if any, of the alternative minimum tax.

This summary is of a general nature only and is not intended to be, nor should be considered to be, legal or tax advice to any particular Shareholder. Shareholders should therefore consult their own tax advisors with respect to their individual circumstances.

Tax Consequences of Amalgamation

No gain or loss will be realized when a Shareholder converts Common Shares and 5¾% Preferred Shares on the Amalgamation of the Corporation and Holdings into common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco. Common shares of Amalco received by a Shareholder on the Amalgamation in connection with the conversion of Common Shares (other than Common Shares, if any, to which the ITAR applies, as discussed below) and common shares of Holdings, if any, held by the Shareholder at that time will be deemed to have been acquired by the Shareholder at a cost equal to the aggregate of the adjusted cost bases, immediately before the Amalgamation, of such shareholder's Common Shares and common shares of Holdings. Similarly, 5¾% cumulative redeemable preferred shares of Amalco received by a Shareholder in exchange for 5¾% Preferred Shares (other than 5¾% Preferred Shares, if any, to which the ITAR applies as discussed below) will be deemed to have been acquired by the Shareholder at a cost equal to the aggregate adjusted cost base immediately before the Amalgamation of such 5¾% Preferred Shares. Where Common Shares or 5¾% Preferred Shares held by a Shareholder immediately prior to the Amalgamation are regarded under the ITAR as having been owned by the Shareholder on December 31, 1971 and thereafter without interruption until immediately before the Amalgamation ("Pre-1972 Shares"), the "taxfree zone" rules in the ITAR may apply in the determination of the Shareholder's adjusted cost base of common shares of Amalco or 5¾% cumulative redeemable preferred shares of Amalco received in exchange for such Pre-1972 Shares. Shareholders to whom the ITAR may apply, including shareholders who acquired Common Shares or 5¾% Preferred Shares in a non-arm's length transaction from a person who owned the Common Shares or 5¾% Preferred Shares on June 18, 1971, should consult their tax advisors for specific advice in respect of the application of the ITAR.

It is understood that, under the current administrative practice of Revenue Canada, a Shareholder who exercises a right of dissent as described under "Special Meeting of Shareholders — Right to Dissent" will be

considered to have disposed of the Common Shares and 5¾% Preferred Shares owned by the Shareholder for proceeds of disposition equal to the amount paid by Amalco to the Dissenting Shareholder therefor, other than interest awarded by the court. Such a disposition of Common Shares or 5¾% Preferred Shares will give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Shares or 5¾% Preferred Shares, net of any costs of disposition, exceed (or are exceeded by) the adjusted cost base to the shareholder of the Common Shares or 5¾% Preferred Shares. In the case of a Dissenting Shareholder that is a corporation, the amount of any capital loss otherwise determined may be reduced by the amount of dividends received (or deemed to have been received) by the corporation to the extent and under the circumstances described in the Act. Similar rules apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares or 5¾% Preferred Shares.

Taxation of Capital Gains

Three-quarters of any capital gain realized by a Shareholder must be included in computing the Shareholder's income as a taxable capital gain. Three-quarters of any capital loss realized by a Shareholder may normally be deducted by the Shareholder against taxable capital gains in accordance with the provisions of the Act.

The Act currently provides for a cumulative lifetime exemption from income tax for $100,000 of qualifying post-1984 net capital gains realized by individuals (other than most trusts) resident in Canada (within the meaning of the Act) throughout the taxation year in which the capital gain is realized. Net capital gains realized after 1987 which are otherwise eligible for the exemption are reduced by the taxpayer's cumulative net investment loss (within the meaning of the Act) at the end of the year. In the Notice of Ways and Means Motion tabled in the House of Commons on February 22, 1994 (the "Proposed Amendments"), it was proposed that the $100,000 lifetime capital gains exemption be eliminated for gains realized on dispositions after February 22, 1994. However, an individual (other than certain trusts) would be permitted to recognize, by filing an election with the individual's 1994 tax return, all or any part of the gains (to the extent the gains so recognized increase the amount qualifying for the exemption) accrued to February 22, 1994 on properties of the individual. Subject to the detailed provisions of the Act, a capital gain realized on the disposition of a Common Share or a 5¾% Preferred Share by a Shareholder who exercises a right of dissent or, if the Proposed Amendments are enacted and the Shareholder so elects, the gain accrued to February 22, 1994 only, will generally qualify for the cumulative lifetime capital gains exemption to the extent it is otherwise available to the Shareholder. The benefit of the capital gains exemption could be reduced by the alternative minimum tax. Shareholders should consult with their own tax advisors with regard to the possibility of filing an election under the Proposed Amendments.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon, counsel to the Corporation, following completion of the Amalgamation, the common shares of Amalco and the 5¾% cumulative redeemable preferred shares of Amalco will be, based on legislation currently in effect, eligible investments, without resorting to the so-called "basket provisions" but subject to the general investment provisions of the statutes referred to below (and, where applicable, the regulations thereunder), for: (i) certain insurers incorporated or organized under the *Insurance Act* (Ontario) and insurers incorporated under or governed by the laws of the province of Alberta, the investment powers of which are governed by the *Insurance Act* (Alberta); (ii) pension funds registered under the *Employment Pension Plans Act* (Alberta) and *The Pension Benefits Act* (Manitoba); and (iii) trust or loan corporations incorporated under or governed by the laws of Saskatchewan, the investment powers of which are governed by *The Trust and Loan Corporations Act* (Saskatchewan).

In the opinion of such counsel, eligibility of the common shares of Amalco and the 5¾% cumulative redeemable preferred shares of Amalco for investment by purchasers to which any of the following statutes applies is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, where applicable, the regulations thereunder) and is subject to the prudent investment standards and general investment provisions provided therein:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Québec)
An act respecting insurance (Québec)
An act respecting trust companies and savings companies (Québec)
Financial Institutions Act (British Columbia)
Loan and Trust Corporations Act (Alberta)
The Insurance Act (Manitoba)

In the opinion of such counsel, the common shares of Amalco and the 5¾% cumulative redeemable preferred shares of Amalco, if listed on a prescribed stock exchange, will be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans. See "Information Concerning Amalco — Continued Listing of Amalco Common Shares and Amalco 5¾% Cumulative Redeemable Preferred Shares".

DIRECTORS' RECOMMENDATION REGARDING THE AMALGAMATION RESOLUTION

On January 26, 1994, the Board of Directors of the Corporation approved the Amalgamation Agreement and the submission of the Amalgamation Agreement to the Shareholders for their approval at the Special Meeting. The Board of Directors of the Corporation recommends that Shareholders vote for the Amalgamation Resolution approving the Amalgamation Agreement and the Amalgamation.

INFORMATION CONCERNING HSC HAWKER CANADA LTD.

General

Holdings was incorporated by letters patent under the laws of Canada on July 10, 1956 under the name "Racair Limited" and was continued under the CBCA by certificate and articles of continuance dated October 9, 1980. Certificates and articles of amendment were issued on January 20, 1994 changing the name of Holdings from "Racair Limited" to "HSC Hawker Canada Ltd." and changing its issued and outstanding common shares into 4,816,646 common shares and, on February 15, 1994, deleting its private company restrictions. The head and principal office of Holdings is located at 3 Robert Speck Parkway, Suite 700, Mississauga, Ontario, L4Z 2G5.

Business of Holdings

Holdings does not carry on any active business. Immediately prior to the Amalgamation, Holdings will not have any liabilities, other than the possible dividend payable which is discussed below and the Contingent Liabilities and the only assets of Holdings will be the 4,816,646 Common Shares owned by it and the possible dividend receivable equal to the Dividend Amount, discussed below. This Proxy Circular does not contain any information with respect to the business or financial history of Holdings.

Description of the Share Capital of Holdings

Authorized and Outstanding

The authorized capital of Holdings consists of an unlimited number of common shares. At February 25, 1994, 4,816,646 common shares of Holdings were issued and outstanding, all of which are owned by HS Management and have, in turn, been pledged to the Warrant and Escrow Agent pursuant to the Warrant Indenture.

Description of the Common Shares

Holders of common shares of Holdings have the right to vote at any meeting of shareholders of Holdings, to receive any dividend declared by Holdings and to receive the remaining property of Holdings on dissolution.

Management of Holdings

Directors and Officers

The name, municipality of residence, position held with Holdings and principal occupation of each of the directors and officers of Holdings are as follows:

Name and Municipality of Residence	Current Position with Holdings	Principal Occupation for Past Five Years
BETH M. BANDLER ..... Etobicoke, Ontario	Director and Secretary	Secretary and General Counsel of the Corporation; assumed current position December 1987.
KEITH F. MOORE ..... Oakville, Ontario	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Corporation; assumed current position August 1993; prior thereto Chief Operating Officer of Specialty Equipment Companies, Inc. (food service equipment manufacturer) from October, 1990 to May 1993; prior thereto Senior Vice-President with J.I. Case Company (agricultural and construction equipment manufacturer) from February 1989 to June 1990; prior thereto with General Electric (conglomerate) since 1969.
KATHLEEN A. O'DONOVAN ..... London, England	Director and Chairman of the Board	Finance Director of BTR (industrial holding company); assumed current position July 1991; prior thereto Partner of Ernst & Young (chartered accountants).
FREDERICK J. SANDFORD ..... Etobicoke, Ontario	Director and Treasurer	Treasurer of the Corporation; assumed current position June 1978.
A.M. GORDON TURNBULL ..... Mississauga, Ontario	Director, Senior Vice-President, Finance and Chief Financial Officer	Senior Vice-President, Finance and Chief Financial Officer of the Corporation; assumed current position October 1990; prior thereto Vice-President, Treasurer of Indal Limited (industrial holding company).

In addition to the foregoing directors, HS Management will vote its common shares in the capital of Holdings for the election to the Board of Directors of Holdings of two additional directors who are not officers or employees of Holdings or officers or employees of affiliates of Holdings (including the Corporation, HS Management or BTR). Such additional directors will be elected prior to the exercise of the Special Warrants.

Requirement to Declare Dividends

It is a condition of the exercise of the Special Warrants that the Board of Directors of Holdings will, immediately after the exercise of the Special Warrants and prior to the Amalgamation, declare a dividend on its common shares in an amount equal to the Dividend Amount. The Dividend Amount is equal to the amount received or receivable by Holdings in respect of the $0.27 per Common Share dividend declared by the Corporation on February 7, 1994 and payable on April 15, 1994 to shareholders of record on March 15, 1994 (the "Record Date"). The dividend to be declared by the Board of Directors of Holdings will be payable on the later of April 15, 1994 and

the close of business on the Directed Exercise Date to the holders of record of common shares of Holdings at the close of business on the Directed Exercise Date. This will result in the holders of Special Warrants receiving a dividend in the amount that they otherwise would have received had they been Shareholders of record of the Corporation on the Record Date.

Consent of the Director Under the CBCA to Omit Certain Financial Information

The Corporation applied for and received an exemption order from the Director under the CBCA permitting the omission from this Proxy Circular of certain financial information respecting Holdings which would otherwise be required to be set forth herein.

INFORMATION CONCERNING HAWKER SIDDELEY CANADA INC.

General

The Corporation was incorporated by letters patent under the laws of Canada in 1945 under the name "A.V. Roe Canada Limited". The name of the Corporation was changed from "A.V. Roe Canada Limited" to "Hawker Siddeley Canada Limited" by supplementary letters patent under the laws of Canada on May 1, 1962. The Corporation amalgamated with Hawker Industries Limited by Letters Patent dated October 21, 1978 under the name "Hawker Siddeley Canada Limited". The Corporation was continued under the CBCA and changed its name from "Hawker Siddeley Canada Limited" to "Hawker Siddeley Canada Inc." by certificate and articles of continuance dated July 1, 1980. On July 1, 1988, the Corporation amalgamated with its wholly-owned subsidiary, Kockums CanCar Inc., under the name "Hawker Siddeley Canada Inc.". The articles of amalgamation of the Corporation were amended on July 1, 1989 to change the place where the registered office is to be situated from the Municipality of Metropolitan Toronto to the City of Mississauga, Ontario.

The principal and head office of the Corporation is located at 3 Robert Speck Parkway, Suite 700, Mississauga, Ontario, L4Z 2G5.

Business of the Corporation

The Corporation has operations at 15 locations (excluding its principal and head office) in Canada, the United States and the United Kingdom. These operations are classified within two industry segments, namely "Transportation and Industrial Products" and "Resource Industry Equipment". As at December 31, 1993, the Corporation had approximately 2,200 employees of whom approximately 1,200 were covered by collective bargaining agreements. Set forth below is a brief description of the various businesses carried on by the Corporation:

1. Transportation and Industrial Products
   - (a) *Aero and Industrial Turbine Engine Components and Repair and Overhaul*
     - (i) The Orenda Division ("Orenda") of the Corporation, located in Mississauga, Ontario is engaged in the repair and overhaul of aero engines and industrial gas turbines, and the manufacture and sale of components for aero engines and industrial gas turbines.
     - (ii) Middleton Aerospace Corporation ("Middleton Aerospace"), located in Middleton, Massachusetts, is engaged in the manufacture and sale of aero engine components.
   - (b) *Railcar Leasing.* CGTX Inc. ("CGTX"), the head office of which is located in Montreal, Quebec and which has repair facilities in Montreal, Quebec, Moose Jaw, Saskatchewan, and Red Deer, Alberta, is engaged in the full-service leasing, repair and maintenance of railcars.
   - (c) *Foundry.* The Canadian Steel Foundries Division ("CSF") of the Corporation, located in Montreal, Quebec, is engaged in the manufacture and sale of high-integrity, carbon, stainless and heat-resisting steel castings for the energy and other high technology industries.
2. Resource Industry Equipment
   - (a) *Sawmill Equipment*
     - (i) Consolidated Sawmill Machinery International Inc. ("CSMI"), located in Portland, Oregon and Hot Springs, Arkansas, is engaged in the manufacture, sale and repair and overhaul of sawmill and softwood lumber processing equipment.

(ii) The CSMI Division (the "CSMI Division") of the Corporation, located in Langley, British Columbia, is engaged in the sale of sawmill and softwood lumber processing equipment and spare parts in Canada.

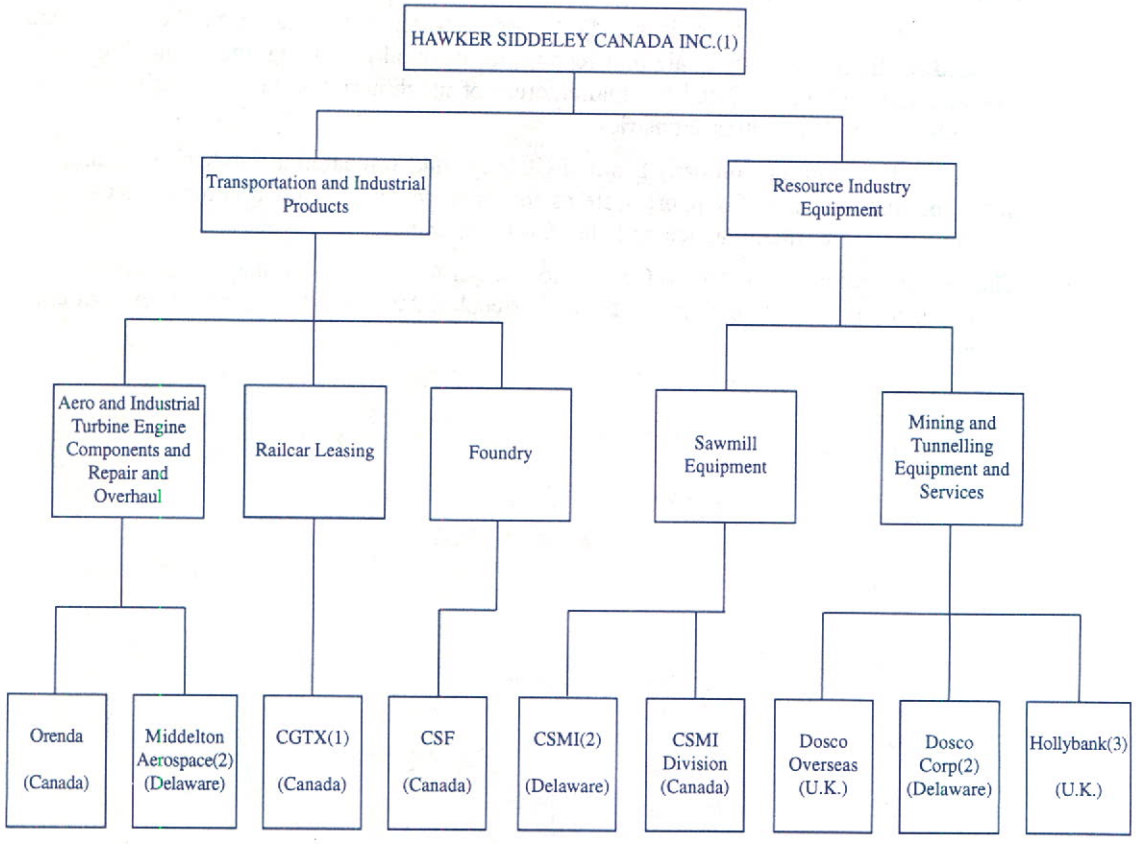
(b) *Mining and Tunnelling Equipment and Services*

(i) Dosco Overseas Engineering Limited ("Dosco Overseas"), located in Tuxford, England, is engaged in the manufacture, sale and repair and overhaul of mining and tunnelling machines for coal and soft-rock mining, and the manufacture of machinery for the civil engineering tunnelling and bulk materials handling industries.

(ii) Hollybank Engineering Company Limited ("Hollybank"), located in Tuxford, England, is engaged in the production of roof support systems for mine roadways, and mining services covering the development, care, maintenance and the closure of mines.

(iii) The Dosco Corporation ("Dosco Corp"), located in Abingdon, Virginia, is engaged in the sale and service of mining and tunnelling machines for coal and soft-rock mining and for civil engineering tunnels.

The following diagram summarizes the businesses carried on by the Corporation, for each material operating subsidiary of the Corporation indicates the jurisdiction of incorporation of such subsidiary, and for each division indicates the jurisdiction in which its principal office is located:



Notes:

(1) The Corporation owns 55% of the voting shares of CGTX and, directly or indirectly, 100% of the voting shares of all other material operating subsidiaries.

(2) All of the shares of Middleton Aerospace, CSMI and Dosco Corp are owned by Can-Car, Inc., a wholly-owned subsidiary of the Corporation incorporated under the laws of Delaware.

(3) All of the shares of Hollybank are owned by Dosco Overseas, a wholly-owned subsidiary of the Corporation incorporated under the laws of the U.K.

Description of the Share Capital of the Corporation

Authorized and Outstanding

The authorized capital of the Corporation consists of an unlimited number of common shares, 140,000 first preferred shares, designated "5¾% Cumulative Redeemable Preferred Shares" (previously defined as "5¾% Preferred Shares") and an unlimited number of preferred shares, designated "Preferred Shares" (the "Preferred Shares"). At February 25, 1994, 8,202,351 common shares of the Corporation, 140,000 5¾% Preferred Shares and no Preferred Shares were issued and outstanding.

Common Shares

The holders of common shares of the Corporation are entitled to one vote per share at all meetings of the shareholders of the Corporation, except for meetings of holders of classes or series of shares other than common shares of the Corporation. Subject to the prior rights, privileges, restrictions and conditions attaching to the 5¾% Preferred Shares and the Preferred Shares, the holders of common shares of the Corporation are entitled to receive any dividend declared by the Board of Directors of the Corporation and the remaining property of the Corporation upon its liquidation, dissolution or winding-up.

5¾% Preferred Shares

The holders of 5¾% Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of the shareholders of the Corporation, except as provided by applicable law or unless the Corporation shall have failed to pay in the aggregate eight quarterly dividends on the 5¾% Preferred Shares and such dividends remain outstanding. The holders of 5¾% Preferred Shares are entitled to receive, if, as and when declared by the Board of Directors of the Corporation, a fixed cumulative preferential cash dividend at the rate of 5¾% per annum payable quarterly. The 5¾% Preferred Shares are entitled to a preference over the Preferred Shares, the common shares of the Corporation and any other shares ranking junior to the 5¾% Preferred Shares with respect to the payment of dividends. In addition, the 5¾% Preferred Shares will be entitled to a preference over the Preferred Shares, the common shares of the Corporation and any other shares ranking junior to the 5¾% Preferred Shares with respect to the distribution of assets or return of capital in the event of the liquidation, dissolution or winding-up of the Corporation.

Preferred Shares

The holders of the Preferred Shares are not entitled to receive notice of or to attend or vote at any meeting of the shareholders of the Corporation, except as provided by applicable law. The Preferred Shares rank in parity with the Preferred Shares of every other series and will be entitled to preference over the common shares of the Corporation and any other shares ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets or return of capital in the event of the liquidation, dissolution or winding-up of the Corporation.

Consolidated Capitalization Table

The following table shows the consolidated capitalization of the Corporation at December 31, 1993 and January 31, 1994 for the periods indicated:

	As at December 31, 1993 (audited)	As at January 31, 1994 (unaudited)
	(millions of dollars)	
Long-term debt (1)		
First mortgage sinking fund equipment notes		
Notes due from 1994 to 2000 at 10.25% (U.S.$1.75 million)	$ 2.1	$ 2.1
Notes due from 1994 to 1999 at from 9.125% to 11.125%	9.6	9.6
First mortgage equipment notes		
Notes due in 1994 at 10.3%	20.0	20.0
Notes due in 1996 at 10.55%	30.0	30.0
Notes due in 1998 at 7.6%	30.0	30.0
Notes due in 2003 at 8.35%	30.0	30.0
Total long-term debt	121.7	121.7
Minority shareholder's interest in subsidiary company	47.7	48.2
Shareholders' equity (2)		
Capital Stock		
5¾% Cumulative Redeemable Preferred Shares (3)		
authorized — 140,000 shares		
issued — 140,000 shares	14.0	14.0
Common shares (4) (5)		
authorized — unlimited		
issued — 8,199,601 shares		
(January 31, 1994 — 8,200,601)	55.3	55.3
Retained earnings	174.1	172.8
Currency translation account	0.2	1.2
	243.6	243.3
Total capitalization	$413.0	$413.2

Notes:

(1) All of the consolidated long term debt of the Corporation is owed by CGTX.

(2) 41.8% of the outstanding 5¾% Preferred Shares and 58.7% of the outstanding Common Shares are beneficially owned by BTR.

(3) The 5¾% Preferred Shares are redeemable at the option of the Corporation at $105 per share.

(4) Stock options to senior executives and a former senior executive of the Corporation were outstanding in respect of 68,050 Common Shares at January 31, 1994 (December 31, 1993 — 69,050 Common Shares; and December 31, 1992 — 67,050 Common Shares) pursuant to the Corporation's Employee Stock Option Plan. These options are exercisable by the holders at from $22.00 to $24.00 per share and expire at various dates during the next five years. During 1993, no options were exercised (1992 — options for 15,300 Common Shares were exercised for a total consideration of $300,000).

(5) The weighted average number of Common Shares outstanding during the year was 8,199,601 (1992 — 8,197,608).

Dividend Record of the Corporation

Dividends are declared on the Common Shares at the discretion of the Board of Directors of the Corporation. The amount of dividends paid is determined periodically in the light of the Corporation's earnings, financial position, profitability, cash flow and other factors considered relevant by the Board of Directors. The Corporation has paid dividends on its Common Shares in each year since 1972. Dividends are paid quarterly and have been paid at a quarterly rate of $0.27 per common share ($1.08 annually) since 1988.

The annual dividend on the 5¾% Preferred Shares is $5.75 per share and the conditions attached to these shares require that such dividends accrue on a cumulative basis and be paid before dividends on the Common Shares can be paid. The Corporation has met and continues to meet such conditions and therefore is not restricted from paying dividends on its Common Shares.

Management of the Corporation

Directors

The name, municipality of residence, position held with the Corporation and principal occupation of each of the directors of the Corporation are as follows:

Name and Municipality of Residence	Current Position with the Corporation	Principal Occupation for Past Five Years
ARTHUR H. CROCKETT ..... Toronto, Ontario	Director	Corporate Director.
ROBERT F. FAIRCLOTH (1) ..... London, England	Director and Chairman of the Board	Chief Operating Officer of BTR; assumed current position November 1991; prior thereto senior executive of BTR.
ROBERT A. FERCHAT (2) ..... Mississauga, Ontario	Director	Chairman of TMI Communications Inc. (mobile satellite communications); assumed current position July 1993; prior thereto Chairman and Chief Executive Officer of Telesat Mobile Inc. (mobile satellite communications) from November 1992 to July 1993; prior thereto Chairman of Atomic Energy of Canada Limited (nuclear research and reactor sales and service) from July 1990 to November 1992; prior thereto President of Northern Telecom Limited (manufacturer of telecommunications equipment).
LOUIS HOLLANDER (1) ..... Toronto, Ontario	Director	Corporate Director; assumed current position January 1994; prior thereto President and Chief Executive Officer of Canada Colors and Chemicals Ltd. (manufacturer and distributor of chemicals and plastics raw materials).
JOHN F. HOWARD (1),(2) ..... Woodbridge, Ontario	Director and Vice-Chairman of the Board	Partner of Blake, Cassels & Graydon (barristers and solicitors).
KEITH F. MOORE ..... Oakville, Ontario	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Corporation; assumed current position August 1993; prior thereto Chief Operating Officer of Specialty Equipment Companies, Inc. from October 1990 to May 1993; prior thereto Senior Vice-President with J.I. Case Company from February, 1989 to June 1990; prior thereto with General Electric since 1969.

Name and Municipality of Residence	Current Position with the Corporation	Principal Occupation for Past Five Years
KATHLEEN A. O'DONOVAN (2) ... London, England	Director	Finance Director of BTR; assumed current position July 1991; prior thereto Partner of Ernst & Young.
LOUIS ROCHETTE (2) ..... Quebec City, Quebec	Director	President of Gesconav Inc. (personal investment corporation).
GUYLAINE SAUCIER (2) ..... Montreal, Quebec	Director	Corporate Director.
THOMAS K. SHOYAMA (2) ..... Victoria, British Columbia	Director	Visiting Professor University of Victoria.
JOHN S. THOMPSON, JR. (1) ..... Wellesley Hills, Massachusetts	Director	President of BTR Inc.; assumed current position April 1993; prior thereto senior executive of BTR.
A.M. GORDON TURNBULL (1).... Mississauga, Ontario	Director, Senior Vice-President, Finance and Chief Financial Officer	Senior Vice-President, Finance and Chief Financial Officer of the Corporation; assumed current position October 1990; prior thereto Vice-President, Treasurer of Indal Limited.

Notes:

(1) Member of Executive Committee.

(2) Member of Audit Committee.

Officers

The name and municipality of residence of, and positions held by, each of the officers of the Corporation are as follows:

Name and Municipality of Residence	Current Position with the Corporation	Principal Occupation for Past Five Years
ROBERT F. FAIRCLOTH..... London, England	Chairman of the Board	Chief Operating Officer of BTR; assumed current position November 1991; prior thereto senior executive of BTR.
JOHN F. HOWARD..... Woodbridge, Ontario	Vice-Chairman of the Board	Partner of Blake, Cassels & Graydon.
KEITH F. MOORE ..... Oakville, Ontario	President and Chief Executive Officer	President and Chief Executive Officer of the Corporation; assumed current position August 1993; prior thereto Chief Operating Officer of Specialty Equipment Companies, Inc. from October 1990 to May 1993; prior thereto Senior Vice-President of J.I. Case Company from February 1989 to June 1990; prior thereto with General Electric since 1969.
A.M. GORDON TURNBULL..... Mississauga, Ontario	Senior Vice-President, Finance and Chief Financial Officer	Senior Vice-President, Finance of the Corporation; assumed current position October 1990; prior thereto Vice-President, Treasurer of Indal Limited.
BETH M. BANDLER..... Etobicoke, Ontario	Secretary and General Counsel	Secretary and General Counsel for the Corporation; assumed current position December 1987.

Name and Municipality of Residence	Current Position with the Corporation	Principal Occupation for Past Five Years
WILLIAM G. BROLEY ..... Mississauga, Ontario	Comptroller	Comptroller of the Corporation; assumed current position April 1986.
FREDERICK J. SANDFORD ..... Etobicoke, Ontario	Treasurer	Treasurer of the Corporation; assumed current position June 1978.
ROBERT BERGERON ..... Montreal, Quebec	Vice-President	Vice-President, Canadian Steel Foundries Division of the Corporation ("CSF") and Canadian Steel Wheel Division of the Corporation ("CSW"); assumed current position February, 1992; prior thereto General Manager, CSF from April 1990 to February, 1992; prior thereto Assistant General Manager, CSF from January 1990 to April 1990; prior thereto Manager of Marketing and Sales for CSF.
WILLIAM C. GRIFFITHS ..... Lake Oswego, Oregon	Vice-President	President of CSMI; assumed current position December 1992; prior thereto Vice-President and General Manager Kockums CanCar Division of the Corporation from January 1990 to December 1992; prior thereto, Director of Operations of Meridian Technology (manufacturer of computer and automotive components) from September 1989 to January 1990; prior thereto President and Chief Executive Officer of Cygnus Industries Inc. (automotive diecaster).
RICHARD A. NEILL..... Oakville, Ontario	Vice-President	Vice-President, Orenda Division of the Corporation; assumed current position January 1994; prior thereto General Manager, Orenda Division from April 1993 to January 1994; prior thereto Business Manager, Components Manufacturing, Orenda Division from September 1991 to March 1993; prior thereto President and General Manager Walbar Canada Inc. (manufacturer of aircraft engine component parts).

Messrs. Faircloth and Thompson and Ms. O'Donovan have indicated that they will resign from the Board of Directors of the Corporation following the release of proceeds from the sale of the Special Warrants by the Warrant and Escrow Agent to HS Management. The Board of Directors of the Corporation intends to fill one of the vacancies created by the resignations at the time they occur with Beth M. Bandler, Secretary and General Counsel of the Corporation.

Committees of the Board of Directors

The Executive Committee of the Board of Directors of the Corporation consists of five directors, Messrs. Faircloth, Hollander, Howard, Thompson and Turnbull. The Audit Committee of the Board of Directors of the Corporation consists of six directors, Messrs. Ferchat, Howard, Rochette and Shoyama and Mesdames O'Donovan and Saucier. The anticipated resignations of Messrs, Faircloth and Thompson and Ms. O'Donovan from the Board

of Directors of the Corporation will alter the composition of the Executive Committee and Audit Committee. The Audit Committee reviews the Corporation's financial statements and audit procedures and reports thereon to the Board of Directors of the Corporation. The Corporation has three separate salary committees comprised of different members of the Board of Directors of the Corporation which are responsible for reviewing the salaries of certain officers of the Corporation not less than once each year.

Principal Holders of Securities of the Corporation

To the knowledge of the Corporation, the following are the only persons owning as at February 25, 1994, as of record or beneficially, directly or indirectly, more than 10 per cent of any class of securities in the capital of the Corporation.

Name and Address	Designation of Class	Type of Ownership	Number of Securities	Percentage of Class
BTR(1)				
London, England	Common	Indirect	4,816,646	58.7%
BTR(2)				
London, England	5¾% Preferred	Indirect	58,500	41.8%

Notes:

(1) Holdings is the owner of record of these Common Shares and is an indirect wholly-owned subsidiary of BTR.

(2) Hawker Investments is the registered owner of these 5¾% Preferred Shares and is an indirect wholly-owned subsidiary of BTR.

Ontario Municipal Employees Retirement Board ("OMERS") purchased 1,876,800 Special Warrants from HS Management on February 18, 1994. Following completion of the Amalgamation, OMERS will own 1,867,800 common shares of Amalco, which will represent approximately 22.9% of the outstanding common shares of Amalco.

As of February 25, 1994, the directors and senior officers of the Corporation, as a group, beneficially owned, directly or indirectly, 1,500 common shares of the Corporation representing less than 1% of the issued and outstanding common shares of the Corporation (excluding 66,300 common shares of the Corporation subject to option) and owned 6,000 Special Warrants. The information as to securities beneficially owned by directors and senior officers of the Corporation, not being within the knowledge of the Corporation, has been furnished by the respective directors and senior officers.

Changes in Effective Control of the Corporation

Upon the issuance of the Special Warrants, HS Management granted the holders thereof the right upon satisfaction of the Escrow Condition (and, if such right is not exercised, R-M Trust will be required to exercise such right) to acquire the common shares of Holdings currently owned by HS Management and to thereby acquire an indirect interest in 58.7% of the Common Shares. While the issuance of Special Warrants has not resulted in any change in the management or control of the Corporation, upon exercise of the Special Warrants and upon the completion of the Amalgamation there will be an effective change of control of the Corporation. See "The Amalgamation — Background to the Planned Divestiture by BTR of Its Majority Interest in the Corporation".

Price Range and Trading Volume of Common Shares and 5¾% Preferred Shares

The Common Shares and 5¾% Preferred Shares are listed and posted for trading on each of the Exchanges. The common shares of Holdings are not listed for trading on any stock exchange.

The following table sets forth the high and low sales prices and trading volume for the Common Shares and the 5¾% Preferred Shares on the TSE for the periods indicated.

	Common Shares			5¾% Cumulative Redeemable Preferred Shares		
	The Toronto Stock Exchange			The Toronto Stock Exchange		
	High	Low	Volume	High	Low	Volume
1992						
First Quarter	$26	$22½	92,760	$74	$69	2,937
Second Quarter	25¼	22¾	31,698	75	72⅛	9,595
Third Quarter	24¾	20	21,188	78	73½	1,190
Fourth Quarter	22¼	20⅛	269,203	78	71	3,640
1993						
First Quarter	$22	$18¾	158,276	$75	$73	955
Second Quarter	24¾	20½	230,243	85	75	9,640
Third Quarter	27	21⅝	125,124	82½	78	1,655
October	28	26¾	23,389	87	84½	1,030
November	27⅛	23½	34,858	88	83	1,575
December	25⅜	23½	37,592	88	88	355
1994						
January	$27	$25	86,915	$90	$88	3,320
February 1 - 25	26½	25½	1,295,209	90	88	1,755

On January 14, 1994, the business day before BTR announced its intention to dispose of its indirect Common Share interest in the Corporation, the closing price of the Common Shares and 5¾% Preferred Shares on the TSE was $26⅝ and $78½, respectively. On February 4, 1994, the last trading day before the announcement of the secondary offering by HS Management, the closing price of the Common Shares and 5¾% Preferred Shares on the TSE was $26 and $88, respectively. On February 25, 1994, the closing price of the Common Shares and 5¾% Preferred Shares on the TSE was $25¾ and $88, respectively.

Legal Proceedings

The Corporation and its subsidiaries may from time to time be the subject of legal proceedings. As of February 25, 1993, the only material lawsuit currently outstanding or known to be contemplated by or against the Corporation or its subsidiaries was an application filed by the Corporation with the Ontario Court of Justice (General Division) on April 6, 1993 to have the surplus in a pension fund returned to it. A court date has been set for May 9, 1994. The United Steel Workers of America and Industrial Union of Marine and Shipbuilding Workers of Canada are opposing the application. In the event that court approval is obtained, it will also be necessary for the Corporation to seek the consent of the Pension Commission of Ontario. The surplus in the fund consists of the surplus at June 30, 1988 (the date that the wind-up of the pension plan was initiated) of $5.9 million plus accrued net earnings since that date.

Auditors, Registrars and Transfer Agents

The auditors of the Corporation are Price Waterhouse, Chartered Accountants, 1 First Canadian Place, Suite 3300, Box 190, Toronto, Ontario M5X 1H7.

The Registrar and Transfer Agent for the Common Shares and the 5¾% Preferred Shares is R-M Trust at its principal offices in Toronto, Montreal, Winnipeg and Vancouver.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation of those persons (the "Named Executive Officers") who were, at December 31, 1993, the Corporation's Chief Executive Officer and its other four most highly compensated executive officers (which for this purpose includes the President and Chief Executive Officer of CGTX even though he is not in fact an officer of the Corporation) and the former President and Chief Executive Officer of the Corporation, for services rendered by such persons to the Corporation and its subsidiaries during each of the Corporation's last three financial years:

Summary of Executive Compensation

Summary Compensation Table

		Annual Compensation			Long Term Compensation	
Name and Principal Position(1)	Year	Salary	Bonus	Other Annual Compensation(2),(3)	Securities Under Options (Common Shares)(4)	All Other Compensation(3)
Keith F. Moore ..... President and Chief Executive Officer	1993	$228,103(5)	—	$153,169(6)	25,500	$ 4,611
A.M. Gordon Turnbull ..... Senior Vice-President, Finance and Chief Financial Officer	1993	200,000	—	—	—	6,917
	1992	192,000	36,134	—	—	—
	1991	192,000	—	—	—	—
William C. Griffiths ..... Vice President	1993	206,767	—	—	—	1,578
	1992	133,500	40,050	—	—	—
	1991	127,200	9,794	—	—	—
Robert Bergeron ..... Vice President	1993	127,500	14,500	—	—	1,289
	1992	122,388	—	—	—	—
	1991	100,594	—	—	—	—
Jacques C. Léger..... President and Chief Executive Officer of CGTX Inc.	1993	158,000	47,400	—	—	25,089(7)
	1992	155,000	46,500	—	—	—
	1991	148,000	27,824	—	—	—
Ronald D. Cole ..... Former President and Chief Executive Officer of the Corporation	1993	12,500	—	23,726(8)	—	622,735(9)
	1992	300,000	—	—	—	—
	1991	300,000	—	—	—	—

Notes:

(1) The Named Executive Officers were appointed to the positions shown on the following dates:

(i) Keith F. Moore — August 1993;

(ii) A.M. Gordon Turnbull — October 1990;

(iii) William C. Griffiths — January 1990;

(iv) Robert Bergeron — February 1992; and

(v) Jacques C. Léger — September 1988.

Ronald D. Cole ceased to be President and Chief Executive Officer of the Corporation on January 15, 1993.

(2) Excluded from Other Annual Compensation are perquisites and other personal benefits which in aggregate do not equal 10% or more of the total annual salary and bonus of the Named Executive Officer for the year.

(3) Amounts relating to financial years ended December 31, 1992 and December 31, 1991 have been intentionally omitted.

(4) These relate to options to acquire Common Shares pursuant to the Corporation's Employee Stock Option Plan.

(5) This amount includes remuneration earned prior to Mr. Moore's appointment as President and Chief Executive Officer of the Corporation.

(6) $147,436 of this amount relates to a payment to Mr. Moore by BTR Inc., a non-subsidiary affiliate of the Corporation, in respect of a cost of living and taxation adjustment.

(7) Of this amount, $20,962 represents the Canadian dollar equivalent of the amount received from GATX Inc., a New York corporation and indirect 45% shareholder of CGTX, on the exercise of 1,100 individual performance units (the "IPUs") granted at U.S.$23.375 per share in respect of the shares of the common stock of GATX Inc. On the day of exercise of the IPUs, the share price was U.S.$38.25 per share resulting in proceeds of U.S.$14.875 per share.

(8) $19,471 of this amount relates to imputed interest on a home relocation loan.

(9) This amount equals the aggregate compensation paid to Mr. Cole in connection with the termination of his employment as President and Chief Executive Officer of the Corporation, including a lump sum cash payment of $600,000.

Employee Stock Option Plan

An Employee Stock Option Plan was established in 1963 and was subsequently amended in 1965 and 1985. This plan permits the Board of Directors of the Corporation to grant options to selected executive officers and senior employees of the Corporation to purchase up to (but not exceeding in the aggregate) 487,500 Common Shares. Subject to the discretion of the Board of Directors of the Corporation to hold otherwise, each option is for the number of shares which when valued at the relevant option price will not exceed twice the annual salary of the option holder at the date of granting of the option. Each option expires at the earliest of the expiry date specified in the option agreement, thirty days after the termination of employment (for any reason except death or normal retirement) of the option holder, 180 days after the date of death of the option holder, three years after normal retirement of the option holder or ten years after the option has been granted.

The following table sets out the individual grants of options to purchase Common Shares during the most recently completed financial year to each of the Named Executive Officers:

Options Granted During the Financial Year Ended December 31, 1993

Name	Common Shares Under Option	Market Value per Common Share at Date of Grant	Exercise Price per Common Share	Expiration Date	% of Total Options Granted in Fiscal Year
Keith F. Moore	25,500	$ 23¼	$ 23¼	May 6, 1998	100%
A.M. Gordon Turnbull	—	—	—	—	—
William C. Griffiths	—	—	—	—	—
Robert Bergeron	—	—	—	—	—
Jacques C. Léger	—	—	—	—	—
Ronald D. Cole	—	—	—	—	—

The following table sets out the number of unexercised options and the value of unexercised "in the money" options held as at December 31, 1993, by the Named Executive Officers based on the closing price of $25½ for Common Shares on the TSE at the close of business on December 31, 1993:

Number of Unexercised Options and Value of Unexercised "in the Money" Options as at December 31, 1993

Name	Number of Unexercised Options		Value of Unexercised In the Money Options(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Keith F. Moore	5,100(2)	20,400	$11,475	$45,900
A.M. Gordon Turnbull	13,920(3)	3,480	48,720	12,180
William C. Griffiths	8,800(4)	2,200	28,600	7,150
Robert Bergeron	—	—	—	—
Jacques C. Léger	2,400(5)	—	3,600	—
Ronald D. Cole	—	—	—	—

Notes:

(1) Calculated based on the closing price of $25.50 for Common Shares on the TSE at the close of business on December 31, 1993.

(2) Options are exercisable at $23.25 per Common Share and vest at a rate of 20% per year commencing May 7, 1993.

(3) Options are exercisable at $22.00 per Common Share and vest at a rate of 20% per year commencing October 1, 1990.

(4) Options are exercisable at $22.25 per Common Share and vest at a rate of 20% per year commencing September 27, 1990.

(5) Options are exercisable at $24.00 per Common Share and vest at a rate of 20% per year commencing March 21, 1989.

Pension Plans

Executive officers and other senior executives are covered by a non-contributory pension plan. In its present form, the plan provides a retirement income equivalent to 2.0% of an employee's average salary for the best three years of the ten consecutive years of service times the number of years of credited service with the Corporation, subject to certain limitations described below. Retirement income is increased pursuant to a cost of living adjustment by a maximum of 3% per year. The compensation covered by the plan is based on the salary set out in the "salary" column of the "Summary Compensation Table".

The pension entitlements of each of William C. Griffiths, Robert Bergeron and Jacques C. Léger are computed on the basis described above, subject to a maximum annual accrual of $1,722. The following table sets forth the estimated annual pension benefits payable upon retirement for such Named Executive Officers at or after age 65:

Pension Plan Table Number One

Remuneration(1),(2)	Years of Pensionable Service(3),(4)				
	15	20	25	30	35
$125,000	$25,830	$34,440	$43,050	$51,660	$60,270
150,000	25,830	34,440	43,050	51,660	60,270
175,000	25,830	34,440	43,050	51,660	60,270
200,000	25,830	34,440	43,050	51,660	60,270
250,000	25,830	34,440	43,050	51,660	60,270
300,000	25,830	34,440	43,050	51,660	60,270
400,000	25,830	34,440	43,050	51,660	60,270

Notes:

(1) The pension entitlements are payable throughout the life of the retiree or, if the retiree dies within six years of the retirement date, his estate is entitled to be paid the remaining number of payments to complete a total of six years of pension payments, in the aggregate.

(2) The pension entitlements will not be subject to deduction for social security, social insurance or other offset amounts.

(3) The pension entitlements vest at a rate of 10% for each credited year of service during a pre-legal period up to 100% for 10 years of service. For a post-legal period, pension entitlements are fully vested after two full years of credited service.

(4) The number of credited years of service as of the date of this Proxy Circular for the Named Executive Officers eligible to receive pension entitlements on the basis of the foregoing table are: William C. Griffiths (3½ years), Robert Bergeron (5½ years) and Jacques C. Léger (6 years).

Keith F. Moore, A.M. Gordon Turnbull and Ronald D. Cole are each entitled to a retiring allowance equal to the amounts calculated in the manner described in "Pension Plan Table Number One", except that entitlements will not be calculated with reference to the maximum annual accrual of $1,722 permitted by Canadian federal income tax authorities. Instead, the maximum permitted annual accrual will not be limited.

In addition, the Corporation has agreed to provide a supplementary benefit to A.M. Gordon Turnbull, payable on his retirement to compensate him for the loss of pension benefits which he would otherwise have been entitled to receive from his previous employer if he had not accepted employment with the Corporation. The Corporation estimates the cost to provide this benefit to Mr. Turnbull, based on service to date at his normal retirement date, to be approximately $102,000. The Corporation estimates that the annual amount of this supplementary benefit payable to Mr. Turnbull at age 65, based on service to date, will be approximately $6,372.

The following table sets forth the estimated annual pension benefits payable upon retirement for Keith F. Moore, Ronald D. Cole and A.M. Gordon Turnbull (in the case of A.M. Gordon Turnbull, these benefits are in addition to the supplemental benefit referred to in the previous paragraph) at or after age 65:

Pension Plan Table Number Two

Remuneration(1),(2)	Years of Pensionable Service(3),(4)				
	15	20	25	30	35
125,000	37,500	50,000	62,500	75,000	87,500
150,000	45,000	60,000	75,000	90,000	105,000
175,000	52,500	70,000	87,500	105,000	122,500
200,000	60,000	80,000	100,000	120,000	140,000
225,000	67,500	90,000	112,500	135,000	157,500
250,000	75,000	100,000	125,000	150,000	175,000
300,000	90,000	120,000	150,000	180,000	210,000
400,000	120,000	160,000	200,000	240,000	280,000

Notes:

(1) The pension entitlements are payable throughout the life of the retiree or, if the retiree dies within six years of the retirement date, his estate is entitled to be paid the remaining number of payments to complete a total of six years pension payments, in the aggregate.

(2) These pension entitlements will not be subject to deduction for social security, social insurance or other offset amounts.

(3) The pension entitlements vest at a rate of 10% for each credited year of service during a prelegal period up to 100% for 10 years of service. For a post-legal period, pension entitlements are fully vested after two full years of credited service.

(4) The number of credited years of service as of the date of this Proxy Circular for the Named Executive Officers eligible to receive pension entitlements on the basis of the foregoing table are: Keith F. Moore (⅔ years), Ronald D. Cole (12 7/12 years) and A.M. Gordon Turnbull (3¼ years).

Termination of Employment and Employment Contracts

On January 15, 1993, the Corporation paid Ronald D. Cole, the former President and Chief Executive Officer of the Corporation, a lump sum severance payment of $600,000. In addition, the Corporation continued until December 31, 1993 to provide Mr. Cole with the same benefits that he had been receiving prior to termination of employment. On December 31, 1993, Mr. Cole repaid a home relocation loan to the Corporation of $300,000.

The Corporation and Keith F. Moore have agreed in principle to an employment arrangement under which Mr. Moore will serve as President and Chief Executive Officer of the Corporation for an initial three year period (renewable annually thereafter with the approval of the Board of Directors of the Corporation). The terms and conditions of Mr. Moore's employment are subject to further negotiation and review and approval by the Board of Directors of the Corporation. The terms of the agreement in principle include payment to Mr. Moore of a $375,000 annual base salary, a cash bonus based upon consolidated pre-tax profits of the Corporation (limited to 60% of base salary) and options to purchase an additional 100,000 Common Shares.

Similarly, A.M. Gordon Turnbull has agreed in principle with the Corporation to an employment arrangement to replace an existing employment agreement which would, following approval by the Board of Directors of the Corporation, entitle Mr. Turnbull to receive an annual base salary of $235,000 together with a bonus calculated on the basis of pre-tax consolidated profits of the Corporation (limited to 40% of base salary) and options to purchase an additional 50,000 Common Shares. The term of this agreement would be three years, thereafter renewable annually subject to the approval of the Board of Directors of the Corporation.

Composition of the Compensation Committee

Two salary committees of the Board of Directors of the Corporation have been delegated the authority to exercise all of the powers of the Board of Directors of the Corporation in determining the terms of employment, salaries and other remuneration of directors of the Corporation who are employed by the Corporation or its subsidiaries. Currently, only remuneration for Messrs. Moore and Turnbull is subject to review by these committees. Mr. Turnbull's compensation is determined by a committee of all Canadian resident directors who are not employees of the Corporation and the President and Chief Executive Officer, Mr. Moore. The Vice-Chairman, Mr. J.F. Howard, serves as the Chairman of this committee. Mr. Moore's compensation is also determined by a

committee of all Canadian resident directors who are not employees of the Corporation and Mr. Howard also serves as the Chairman of this committee.

Each of Mr. A.H. Crockett, Mr. R.A. Ferchat, Mr. L. Hollander, Mr. J.F. Howard, Mr. L. Rochette, Mrs. G. Saucier and Mr. T.K. Shoyama is a Canadian resident director and is not an employee of the Corporation.

Report on Executive Compensation

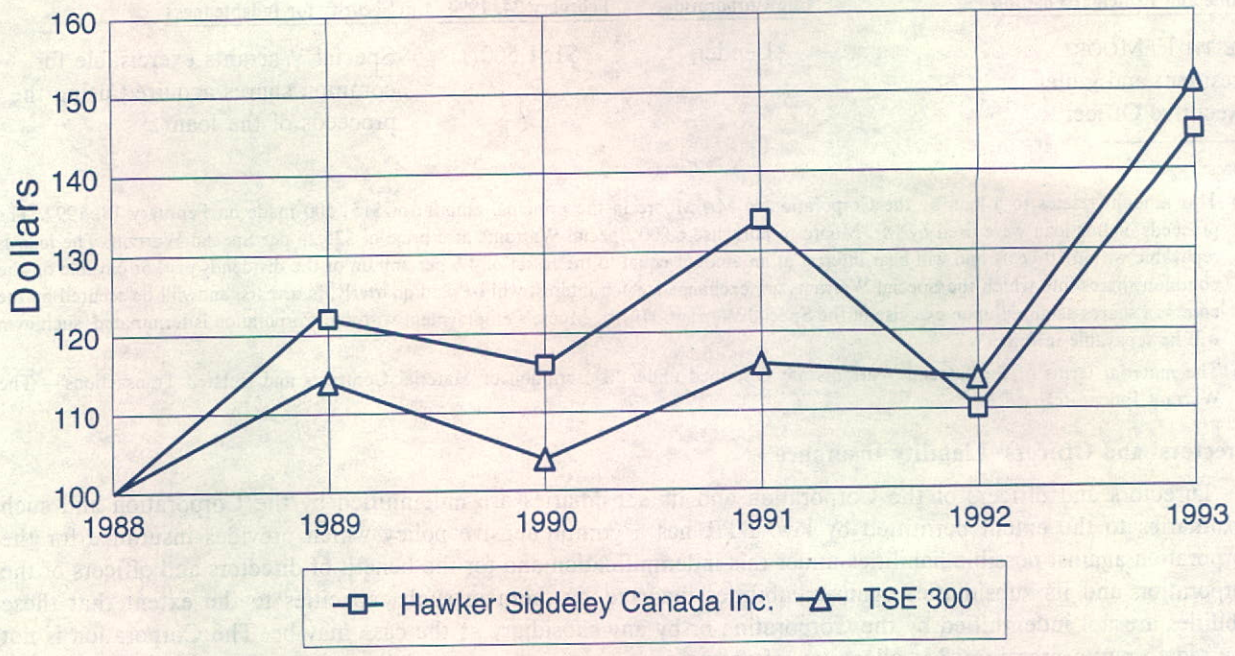
During 1993, the compensation policies established by the Corporation (and, in the case of Keith F. Moore and A.M. Gordon Turnbull, by the two salary committees of the Board of Directors referred to above) to determine compensation of executive officers of the Corporation were intended to be consistent with the Corporation's business plans, strategies and goals while taking into account various factors and criteria including competitive factors and the Corporation's performance. The following general guidelines describe the policy basis for determining compensation for all executive officers of the Corporation:

- To provide a compensation package that will attract, retain and motivate executive officers toward the long term goals of the business.
- Executive positions are assessed for relative value to the Corporation, complexity of work and impact on the overall financial performance.
- Competitive compensation surveys are assessed and examined for key executive positions to determine external relativity.
- The Corporation takes a balanced approach to the components of the total compensation package for its executive officers including an emphasis on share options which are linked to long term corporate profitability and increased shareholder value.

Performance Graph

The following graph compares the Corporation's cumulative total shareholder return (assuming an investment of $100 on December 31, 1988) on the Common Shares during the five year period ended December 31, 1993 on a yearly percentage change basis with the cumulative return of the TSE 300 Stock Index for the same period. The Common Share price performance as set out in the graph below does not necessarily indicate future price performance.

Comparison of Five Year(1) Cumulative Total Return to December 31, 1993



Note:

(1) The year end values of each investment shown are based on the share price appreciation plus dividends reinvested.

Directors

In 1993, directors of the Corporation who were not also salaried employees of the Corporation or an affiliated company were each paid, either directly or indirectly, directors' fees of $12,000 per annum, except for three directors whose services were provided under a contract with BTR, one of whom currently serves as the Chairman of the Board of Directors of the Corporation, and except for the Vice-Chairman who was paid $39,000 per annum. In addition, such directors, other than the three directors whose services were provided under the BTR contract and the Vice-Chairman, were each paid $2,000 per annum per committee on which they served. Directors of the Corporation who were also employees of the Corporation were not paid any amount as a result of their serving as directors of the Corporation. In 1993, the amount paid by the Corporation to BTR under the contract for directors services was $77,000.

Indebtedness of Directors, Executive Officers and Senior Officers

The aggregate indebtedness to the Corporation or to any of its subsidiaries of all directors, officers, employees and former officers, directors and employees of the Corporation or any of its subsidiaries outstanding as of the date of this Proxy Circular is $151,500. The following table sets forth a description of such indebtedness:

Indebtedness of Directors, Executive Officers and Senior Officers under Securities Purchase Programmes

Name and Principal Position	Involvement of the Corporation	Amount Outstanding as of February 24, 1994	Security for Indebtedness
KEITH F. MOORE ..... President and Chief Executive Officer	Lender	$151,500(1)	Special Warrants exercisable for common shares acquired using the proceeds of the loan(2)

Notes:

(1) This amount relates to a loan by the Corporation to Mr. Moore in the principal amount of $151,500 made on February 18, 1994. The proceeds of this loan were used by Mr. Moore to purchase 6,000 Special Warrants at a price of $25.25 per Special Warrant. The loan is repayable within 10 years and will bear interest at an amount equal to the lesser of 4% per annum or the dividends paid or payable on the common shares into which the Special Warrants are exchanged. Such interest will be paid quarterly, in arrears, and will be secured by the common shares acquired upon exercise of the Special Warrants. If Mr. Moore's employment with the Corporation is terminated, such loan will be repayable in full.

(2) The material terms of the Special Warrants are described under "Description of Material Contracts and Related Transactions — The Warrant Indenture".

Directors' and Officers' Liability Insurance

Directors and officers of the Corporation and its subsidiaries are indemnified by the Corporation and such subsidiaries to the extent permitted by law. BTR has a comprehensive policy which provides insurance for the Corporation against possible liabilities under this indemnification and for the benefit of directors and officers of the Corporation and its subsidiaries against liabilities incurred by them in such capacities to the extent that these liabilities are not indemnified by the Corporation or by any subsidiary as the case may be. The Corporation is not required to pay a premium. No allocation of premium is made in respect of directors as a group or officers as a group. The policy provides coverage up to $48,250,000 per annum for BTR companies worldwide. There is a $318,800 deductible for each claim made by the Corporation for reimbursement under the policy. The Corporation will be required to put a new policy in place to replace BTR's policy on completion of the Amalgamation.

Other Insurance

A number of the Corporation's principal insurable risks, such as public and product liability and aviation liability are currently insured through the BTR risk management program. The premiums charged under the BTR program are comparable to market rates. As of the effective date of the Amalgamation, coverage for those risks currently insured through BTR's risk management program will be replaced by coverage placed directly by the Corporation in the insurance market.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Over the past two years, the Corporation has taken the following important steps:

- In December 1992, the Corporation acquired the sawmill equipment manufacturing assets of Harvey Industries, Inc. and Harvey, Inc. (collectively, "Harvey"), which it has combined with its Kockums CanCar sawmill equipment manufacturing operations under the name "Consolidated Sawmill Machinery International Inc.". The infusion of state-of-the-art process-optimization technology from the Harvey acquisition has created an opportunity for growth for the Corporation's previously unprofitable sawmill equipment manufacturing operations.
- In November 1993, the Corporation resolved to spend $4.4 million in restructuring costs and $2.8 million in capital equipment for CSF, which plans to concentrate in the future on the production of castings for the energy and other high-technology markets.
- In November 1993, the Corporation resolved to close its Canadian Steel Wheel division (previously defined as "CSW") based in Montreal and to dispose of or close its small Windsor Aerospace ("Windsor Aerospace") gear manufacturing division, and thereby to eliminate two loss-making operations which did not appear to have the potential to contribute to future profitability.

The Corporation's continuing operations are classified within two industry segments: "Transportation and Industrial Products" and "Resource Industry Equipment". The business components of each segment are highlighted below.

Transportation and Industrial Products

Orenda and Middleton Aerospace

Orenda is engaged in the repair and overhaul of aero engines and industrial gas turbines and in the manufacture and sale of aero engine and industrial gas turbine components. Middleton Aerospace is engaged in the manufacture and sale of aero engine components.

The market for aero engine components and the repair and overhaul of aero engines is intensely competitive, with lower military expenditures and cutbacks in demand from commercial carriers. Reduced demand is expected to lead industry participants to further rationalize their operations. In the medium term, demand levels are expected to improve as a function of recovery and renewed growth in the commercial airline sector. The Corporation is extending Orenda's interests to include the marketing of an industrial gas turbine in North America, Central America and Venezuela.

CGTX

The Corporation's 55% owned railcar leasing subsidiary, CGTX, is and has consistently been a significant contributor to the Corporation's total sales and operating profits. CGTX has invested $219.8 million in additions to its leasing fleet over the past six years and this has contributed substantially to the growth in its revenues and earnings over that period.

CSF

The Corporation's Canadian Steel Foundries division (previously defined as "CSF") manufactures high-integrity, carbon, stainless and heat resisting steel castings. Following the closure of a number of competitors in North America and elsewhere in recent years, this small division is restructuring and investing so as to concentrate on manufacturing castings for the energy and other high technology markets.

Resource Industry Equipment

CSMI

The demand for sawmill equipment that is designed to maximize the yield of sawn lumber from logs is increasing as a result of decreased availability of logs in North America, conservation initiatives, governmental intervention and the consequences of large scale logging in recent years. The optimization technology acquired as a result of the Harvey asset acquisition is helping the Corporation to meet this demand. CSMI is continuing to

rationalize and consolidate its operations with the objective of becoming an important contributor to the Corporation's sales and earnings.

Dosco Overseas, Hollybank and Dosco Corp

Dosco Overseas manufactures mining and tunnelling machines for coal and soft-rock mining and civil engineering tunnelling and equipment for materials handling. Hollybank is engaged in the production of roof support systems for underground roadways and in the provision of contract tunnelling and mine services. Dosco Corp sells and services Dosco roadheader machines in North America.

These operations are facing a number of major challenges. Dosco Overseas is in the process of making the transition from being dependent on British Coal by expanding in export markets for coal and other soft-rock mining equipment and in the civil engineering market in the U.K. Hollybank is adapting to the market environment arising from the downsizing of British Coal, including contract mine care and maintenance and mine closure. Dosco Corp is concentrating on developing the Bendicar underground haulage vehicle, currently in the prototype stage.

Year Ended December 31, 1993 Compared with Year Ended December 31, 1992

After segregating and stating separately the 1993 operating losses and discontinuance provisions relating to CSW and Windsor Aerospace, the operating results of 1993 compare with 1992 as follows:

	1993	1992
	($ millions)	
Sales		
Transportation and industrial products	$166.2	$182.6
Resource industry equipment	185.5	156.3
	351.7	338.9
Segment operating profit		
Transportation and industrial products	32.8	46.1
Resource industry equipment	7.7	(0.3)
	40.5	45.8
Other net income	3.2	3.8
Corporate expenses	(3.3)	(5.9)
Operating profit	40.4	43.7
Interest expense	9.8	8.0
Earnings before income taxes	30.6	35.7
Income taxes	12.5	14.5
Earnings before minority shareholder's interest	18.1	21.2
Minority shareholder's interest	5.8	5.6
Earnings from continuing operations	12.3	15.6
Discontinued operations	(15.5)	(0.2)
Net earnings/(loss)	$ (3.2)	$ 15.4

Provision for the CSF restructuring cost ($4.4 million) is reflected in the 1993 costs of the transportation and industrial products segment.

Transportation and Industrial Products

Sales by Orenda and Middleton Aerospace, at $75.3 million in 1993, were 16% lower than the sales of $89.5 million in 1992, and operating profits were $5.1 million in 1993, compared with $11.3 million in 1992. The 1993 profit was determined after providing $1.1 million for disposal of a quantity of radioactive machining swarf which has been stored at Orenda since 1979. Although the reduction in sales and profits reflected some tightening of the markets for aero engine components and for repair and overhaul, the major cause of the reduction in sales and profits was a significant decline in industrial gas turbine repair and overhaul revenues. The overhauled gas turbines are principally used in oil extraction and transmission and the activity of engine users in that sector was adversely affected in 1993 by low oil prices in world markets.

Revenues of CGTX from its railcar leasing and repair and maintenance operations grew by 8% in 1993 from $66.6 million in 1992 to $71.6 million in 1993 and operating profits before interest increased from $32.6 million in 1992 to $33.8 million in 1993. CGTX is not significantly affected by short-term changes in economic conditions, as railcar leases tend to be for multi-year periods except at the short end of the market. CGTX's contribution to the Corporation's profitability is very significant, being the largest element in the Corporation's operating profit.

After two years of profitability in 1991 and 1992, CSF made a trading loss of $1.6 million in 1993 on sales of $19.3 million, compared with a profit of $2.3 million in 1992 on sales of $26.5 million. After providing for the $4.4 million cost of the restructuring mentioned previously, and which will be carried out in 1994, the 1993 operating loss at CSF was $6.0 million. The reduction in sales from $26.5 million in 1992 to $19.3 million in 1993 was not anticipated and CSF had expected to make a profit in 1993. Orders for hydro castings for delivery in 1993 fell well short of expectations, and the margins at which it was possible to book alternative business were not attractive.

Resource Industry Equipment

The increase in sales of the resource industry equipment segment was attributable to the Corporation's sawmill equipment manufacturing operations, in respect of which sales increased from $31.0 million in 1992 to $77.4 million in 1993. Sales of the mining operations decreased from $125.3 million in 1992 to $108.1 million in 1993.

The increase in sawmill equipment sales in 1993 principally reflected the incremental contribution to sales resulting from the Harvey asset acquisitions in December, 1992. The decline in mining sales reflected principally lower demand by British Coal in 1993 for roof support systems and contract work from Hollybank, as British Coal closed its less efficient operations in anticipation of privatization.

The sawmill equipment manufacturing operations made a loss of $0.3 million in 1993, after amortizing $6.0 million of the goodwill and intangible asset values attributable to the Harvey acquisition, compared with a loss of $0.9 million in 1992, in which year there were no goodwill and intangible asset amortization costs. $2.6 million of the 1993 amortization was in respect of the value attributed to the customer order book acquired with the Harvey assets in December, 1992 and there will be a corresponding reduction in Harvey intangible asset amortization in 1994. While the Corporation has benefited from its acquisition in the sawmill equipment business, start-up of the new facility in Portland, Oregon and assimilation of new products into the Hot Springs, Arkansas operations represents a continuing challenge. Near term performance and longer term customer commitment could be affected by delays in reducing manufacturing cycle times and meeting customer delivery requirements.

Notwithstanding lower Hollybank sales in 1993, the contribution to segment operating profits from the mining operations was $8.0 million compared with $0.6 million in 1992. Dosco Overseas' profits in 1993 included $4.5 million from equipment lease income and machine spare part sales to British Coal relating to British Coal's downsizing and restructuring programs. It is not anticipated that there will be an equivalent element of profit in 1994. Dosco Corp's results in 1993 benefited from lower product development costs relating to the Bendicar. These costs were mostly expensed in 1992.

Consolidated Operating Profits

After other net income and corporate expenses, consolidated operating profits in 1993 were $40.4 million (11.5% of sales) compared with $43.7 million (12.9% of sales) in 1992.

Interest, Income Taxes and Net Earnings from Continuing Operations

Interest expenses increased from $8.0 million in 1992 to $9.8 million in 1993. CGTX's borrowing costs increased in July, 1993 as a result of placing $60 million of its borrowing requirement in the long-term debt market for five and ten year periods ($30 million for five years at 7.60% and $30 million for ten years at 8.35%), in anticipation of higher interest rates over these time frames. Additionally, the Corporation's interest income was lower in 1993 than in 1992, as a result of the financing of the Harvey acquisition in December, 1992 from cash resources, and also as a result of the effect of lower interest rates on remaining cash balances.

The effective rate of income taxes was 40.8% in 1993 and 40.6% in 1992.

After minority interest, net earnings from continuing operations were $12.3 million ($1.40/share) in 1993 compared with $15.6 million ($1.81/share) in 1992.

Discontinued Operations

In November 1993, the Corporation resolved to close CSW and close or dispose of Windsor Aerospace.

CSW manufactured wrought steel wheels, principally for passenger and freight railcars and locomotives. Its sales were primarily to domestic customers in Canada since there are significant non-tariff barriers affecting the export of railway wheels from Canada to the U.S. Due to reduced demand for railway wheels from the Canadian railroads and to competition from railway wheels manufactured by the cast process, the market for wrought railway wheels in Canada has been shrinking. The volume of available business and the profit margins obtainable on that business had become too low to sustain CSW or to justify the investment of further capital in the business. CSW has been unprofitable in each of the last four years, and in 1993 made an operating loss of $3.2 million on sales of $24.1 million. In 1992, the operating loss was $0.3 million on sales of $26.7 million. Provision for closure costs of $9.0 million, after tax relief, is included in the cost of discontinued operations in the 1993 financial statements of the Corporation. These closure costs relate principally to employee severance costs, operating costs in the closure period to March 31, 1994 and the anticipated loss on disposal of assets.

The Windsor Aerospace division manufactures precision gears for aero engines and other applications. The business has been severely affected by the current reduction in demand from the aerospace industry. Sales in 1993 reached only $2.7 million and the division made a small loss. The Corporation resolved in 1993 to close or dispose of the business and a provision of $4.2 million, after tax relief, for the cost of disposal is included in the cost of discontinued operations in the 1993 financial statements. It is expected that disposal of the business will be effected in the first or second quarters of 1994.

Net Earnings

After the operating losses and discontinuance costs of CSW and Windsor Aerospace ($15.5 million after tax relief), there was a net loss for 1993 of $3.2 million ($0.49/share) compared with net earnings of $15.4 million ($1.78/share) in 1992.

Year Ended December 31, 1992 Compared with Year Ended December 31, 1991

	1992	1991
	($ millions)	
Sales		
Transportation and industrial products	$182.6	$179.9
Resource industry equipment	156.3	181.2
	338.9	361.1
Segment operating profit		
Transportation and industrial products	46.1	42.6
Resource industry equipment	(0.3)	(8.6)
	45.8	34.0
Other net income	3.8	3.8
Corporate expenses	(5.9)	(4.7)
Operating profit	43.7	33.1
Interest expense	8.0	5.7
Earnings before income taxes	35.7	27.4
Income taxes	14.5	10.6
Earnings before minority shareholder's interest	21.2	16.8
Minority shareholder's interest	5.6	5.1
Earnings from continuing operations	15.6	11.7
Discontinued operations	(0.2)	(0.4)
Net earnings	$ 15.4	$ 11.3

The principal step taken in 1992 to enhance earnings was the acquisition in December 1992 of the sawmill equipment manufacturing assets of Harvey for U.S. $24.9 million.

Transportation and Industrial Products

Sales of Orenda and Middleton Aerospace in 1992, at $89.5 million, were 4% lower than the sales of $93.5 million in 1991 and operating profits were $11.3 million in 1992 compared with $11.8 million in 1991. Military aero engine repair and overhaul revenues declined as a result of smaller defence budgets and cutbacks in military spending. The demand for engine components for commercial usage was also affected by operating cutbacks and new equipment cancellations and deferrals by commercial airlines and other carriers. The volume of industrial business, however, was higher in 1992 than in 1991.

CGTX had another good year in 1992, with revenues of $66.6 million, compared with $59.9 million in 1991, and operating profits of $32.5 million, compared with $29.3 million in 1991. Fleet utilization remained high despite the general weakness of the Canadian economy and CGTX continued to add special-purpose tank and freight cars to its fleet, for specific customers. The overall level of fleet additions, however, was lower than in the previous year.

Sales of CSF, at $26.5 million in 1992, were the same as in 1991, but operating profits improved from $1.5 million in 1991 to $2.3 million in 1992, reflecting improved plant efficiencies resulting from better material utilization and improved labour productivity from a smaller workforce. During the year, the division pursued its policy of developing international markets. The technology transfer agreement with the Georg Fischer foundry in Switzerland, signed in 1991, resulted in the sale in 1992 of CSF's first Pelton Runner hydro-electric turbine wheel. The new chemical binder, sand mixing and distribution system, installed in 1991, contributed to the improvement in material utilization.

Resource Industry Equipment

The major improvement in the Corporation's operating results in 1992 took place in the resource industry equipment segment. Sales were lower at $156.3 million in 1992 compared with $181.2 million in 1991 but the 1991 loss of $8.6 million was reduced to a loss of only $0.3 million in 1992.

The sawmill equipment manufacturing operations' sales increased, ahead of the December 1992 Harvey acquisition, from $27.5 million in 1991 to $31.0 million in 1992. The operating result was still an operating loss of $0.9 million in 1992, compared with a loss of $6.7 million in 1991.

The sawmill sector began to recover slowly from recession in 1992, recouping some of the volume decline which occurred in 1991. Lumber prices started to improve towards the end of the year and the number of sawmill closures and partial closures fell considerably. Spending on new capital equipment by the forest products industry was, however, still severely limited.

In December 1992, as already mentioned, the Corporation acquired the sawmill manufacturing assets of Harvey, with manufacturing operations in Arkansas, California and Washington. The Harvey acquisition brought the Corporation proven, state-of-the-art optimization technology which addressed the needs of the forest products industry to maximize lumber output from logs, given the trend towards lower availability of softwood lumber in North America.

The Harvey assets were acquired through CSMI, a new U.S. subsidiary with headquarters in Portland, Oregon. The assets acquired in California and Washington were relocated to the Portland site. The Atlanta, Georgia sales and service operations of the Corporation's Kockums CanCar operations were subsequently transferred to and integrated with the Harvey asset operations in Hot Springs, Arkansas in early 1993 and the Surrey, British Columbia manufacturing operations of the Kockums CanCar Division were also subsequently transferred to the Oregon and Arkansas facilities, leaving a small sales and service facility in place in Langley, British Columbia. A sales and distribution office for CSMI has been opened in Savannah, Georgia.

Results from the mining operations improved in 1992. Although sales at $125.3 million in 1992 were lower than the $153.7 million of 1991, there was a contribution of $0.6 million in 1992 to segment operating profit compared with a loss of $1.9 million in 1991. The 1991 results reflected staff reduction costs of $2.2 million for downsizing Dosco Overseas, and $3.0 million in respect of contract drivage losses by Hollybank due mainly to, a particular drivage contract in the U.K.

Events were dominated by British Coal's announcement in October 1992 that it would close 31 of its remaining 50 collieries. The British Government commissioned a comprehensive review of the coal industry and the wider energy industry in the U.K. Pending the outcome of the review, all collieries remained open, but subsequent events have proved that the effect of the review was merely to slow down somewhat the process of colliery closures. The

U.K. coal industry appears likely to be reduced to between 10 and 15 working collieries, excluding any collieries that are owned and operated privately.

In export markets, progress was made by Dosco Overseas in enhancing the effectiveness of its sales force and network of representatives. The first Dosco roadheader machine partly manufactured in Poland under a collaboration agreement was delivered in 1992, and export sales were made during the year to France, Spain, Chile, Korea and the U.S.

Consolidated Operating Profits

After other net income and corporate expenses, consolidated operating profits in 1992 were $43.7 million (12.9% of sales) compared with $33.1 million (9.2% of sales) in 1991.

Interest, Income Taxes and Net Earnings

Interest expenses increased from $5.7 million in 1991 to $8.0 million in 1992, reflecting a full year's impact of CGTX's June 1991 issue of $50 million of long-term debt for three and five year periods ($20 million for three years at 10.3% and $30 million for five years at 10.55%) and the lower income on cash balances brought about by declining interest rates.

Income taxes as a percentage of pre-tax earnings were 40.6% in 1992 compared with 38.7% in 1991. The 1991 tax computations included a credit of $0.8 million in respect of tax relief brought forward from earlier years.

After minority interest, net earnings for 1992 were $15.4 million ($1.78/share) compared with $11.3 million ($1.29/share) in 1991.

Liquidity and Capital Resources

The Corporation's financial position is strong, with substantial shareholders' equity, and no indebtedness for borrowed money, other than that of CGTX, the Corporation's 55%-owned railcar leasing subsidiary.

At December 31, 1993, shareholders' equity amounted to $243.6 million and the Corporation had cash balances and short-term investments amounting to $19.4 million, of which $1.2 million related to CGTX, and long-term debt and bank advances amounting to $122.5 million, all of which related to CGTX.

With the exception of $0.8 million of current borrowings, all of CGTX's indebtedness of $122.5 million was long-term debt secured on a portion of CGTX's rolling stock fleet. CGTX's indebtedness is without recourse to the Corporation. The long-term debt of CGTX is comprised of first mortgage equipment notes at fixed interest rates of from 7.6% to 11.125% and maturities from 1994 to 2003, secured on railway rolling stock with a net book value of $195.4 million at December 31, 1993.

CGTX's most recent issue of first mortgage equipment notes, comprising $30.0 million five-year notes at 7.6% due in 1998 and $30.0 million of ten-year notes at 8.35% due in 2003 occurred in July 1993 and was accorded a debt rating of A(Low) by Canadian Bond Rating Service.

The Corporation's debt to equity ratio at December 31, 1993 was 0.50:1.00, its current ratio was 1.49:1.00, and working capital was $54.6 million.

At December 31, 1992, the Corporation had shareholders' equity of $254.0 million, cash balances and short-term investments of $21.8 million, and long-term debt and bank advances of $101.4 million, all of which indebtedness again related to CGTX. The Corporation's debt to equity ratio at that date was 0.40:1.00; the current ratio was 1.31:1.00 and working capital was $37.6 million.

The Corporation's cash flow from continuing operating activities in 1993 was $33.8 million, and its total cash flow for the year was $18.7 million. Cash flow from operating activities has been positive in each of the five years to December 31, 1993, averaging $43.1 million per annum. Total cash flow over the five years to December 31, 1993 was an outflow of $51.5 million, of which $63.9 million was attributable to the acquisitions of Middleton Aerospace and Windsor Aerospace in 1990 and of the Harvey assets in 1992, which acquisitions were financed entirely out of cash resources.

Capital expenditures in 1993 amounted to $40.2 million, of which $28.7 million related to CGTX. Over the five years to December 31, 1993, capital expenditures on property, plant and equipment, excluding acquisitions, amounted to $207 million, of which $168.2 million related to CGTX. Over the same period, depreciation amounted

to $88.7 million, of which $61.8 million related to CGTX. The Corporation's capital expenditures, other than CGTX's expenditures on rolling stock, are generally directed towards compliance with regulatory requirements, maintenance of existing manufacturing and other capabilities and expenditures on facilities, plant and equipment designed to enhance product quality and reduce cost.

Capital commitments at December 31, 1993, amounted to $8.8 million, of which $6.9 million related to CGTX.

The Corporation has unsecured operating lines of credit with Canadian chartered banks amounting to $80.0 million. None of these facilities were in use at December 31, 1993. In addition, CGTX has unsecured operating lines of credit with Canadian chartered banks amounting to $100 million, of which $0.8 million was in use at December 31, 1993.

Other than CGTX's expenditures on rolling stock fleet additions, which have generally been financed by CGTX's earnings and by related long-term debt, the Corporation's working capital and other cash requirements have historically been met through internally generated funds and from cash resources.

Management believes that CGTX's cash requirements for rolling stock fleet additions will continue to be generally financed by CGTX's earnings and by related long-term debt, and that internally generated funds, cash resources and existing credit facilities will be sufficient to support the Corporation's other growth and expansion for the foreseeable future.

The Corporation's financial results are reported in Canadian dollars. 54% of the Corporation's consolidated sales in 1993 were generated by its subsidiaries in the U.S. and the U.K. and 17% of the sales of its Canadian operations were exported from Canada. $142.0 million (26%) of the Corporation's total assets are located outside Canada, and approximately $31.6 million (10%) of the Corporation's total liabilities are denominated in U.S. dollars and pounds sterling. In general, a decline in the value of the Canadian dollar would make the Corporation more competitive in export markets, and would be favourable to its financial results and cash flow.

INFORMATION CONCERNING AMALCO

Directors

The names and certain other information relating to the first directors of Amalco are set forth below:

Name	Residence Address	Resident Canadian
Beth M. Bandler	Etobicoke, Ontario	Yes
Arthur H. Crockett	Toronto, Ontario	Yes
Robert Ferchat	Mississauga, Ontario	Yes
Louis Hollander	Toronto, Ontario	Yes
John F. Howard	Woodbridge, Ontario	Yes
Keith F. Moore	Oakville, Ontario	No
Louis Rochette	Quebec City, Quebec	Yes
Guylaine Saucier	Montreal, Quebec	Yes
Thomas K. Shoyama	Victoria, British Columbia	Yes
A.M. Gordon Turnbull	Mississauga, Ontario	Yes

Such directors shall hold office until the first annual meeting of Amalco or until their successors are duly elected or appointed.

By-Laws

The by-laws of Amalco, until repealed, amended or altered, shall be the by-laws of the Corporation.

Financial Year End

Until otherwise determined by resolution of the directors, the financial year of Amalco will be December 31st in each year.

Share Certificates

The certificates representing Common Shares and 5¾% Preferred Shares shall be deemed to evidence the Amalco common shares and the Amalco 5¾% cumulative redeemable preferred shares issued upon conversion in connection with the Amalgamation, except that certificates representing the 4,816,646 Common Shares held by Holdings will be cancelled on the effective date of the Amalgamation.

Continued Listing of Amalco Common Shares and Amalco 5¾% Cumulative Redeemable Preferred Shares

Each of the Exchanges has conditionally approved the substitutional listing of the common shares of Amalco and 5¾% cumulative redeemable preferred shares of Amalco. Such substitutional listing is subject to the Corporation fulfilling all of the requirements of the Exchanges on or before May 12, 1994.

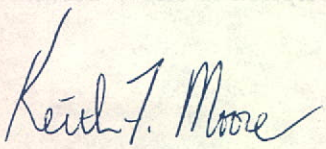
Financial Statements of the Corporation

Attached as Appendix "B" to this Proxy Circular is a copy of the audited consolidated balance sheets of the Corporation as at December 31, 1992 and 1993 and the consolidated statements of earnings and retained earnings and cash flow for each of the years in the five year period ended December 31, 1993, together with the report of the auditors of the Corporation thereon.

APPROVAL OF DIRECTORS

The contents and sending of this Proxy Circular to the shareholders of the Corporation have been approved by the Directors of the Corporation.

By Order of the Board



Keith F. Moore
President and Chief Executive Officer

A.M. Gordon Turnbull
Senior Vice-President,
Finance and Chief Financial Officer

Mississauga, February 28, 1994

APPENDICES

"A" Amalgamation Agreement

"B" Financial Information Respecting the Corporation

"C" Canada Business Corporations Act — Section 190

APPENDIX "A"

AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT made as of the 18th day of February, 1994

AMONG:

HSC Hawker Canada Ltd., a corporation incorporated under the laws of Canada,

(hereinafter called "Holdings")

OF THE FIRST PART

— and —

Hawker Siddeley Canada Inc., a corporation amalgamated under the laws of Canada,

(hereinafter called "the Corporation")

OF THE SECOND PART

— and —

Hawker Siddeley Management Limited, a company incorporated under the laws of the United Kingdom,

(hereinafter called "HS Management")

OF THE THIRD PART

WHEREAS Holdings and the Corporation have agreed to amalgamate pursuant to the Canada Business Corporations Act upon the terms and conditions hereinafter set forth and to continue as one corporation;

AND WHEREAS Holdings is a direct wholly-owned subsidiary of HS Management;

NOW THEREFORE THIS AGREEMENT WITNESSES as follows:

ARTICLE 1 — DEFINITIONS

1.01 *Definitions*

In this agreement:

"Agreement" means this amalgamation agreement;

"Amalco" means the continuing corporation to be constituted upon the Amalgamation becoming effective;

"Amalco Common Shares" means the common shares in the capital of Amalco;

'Amalco 5¾% Preferred Shares" means the 5¾% Cumulative Redeemable Preferred Shares in the capital of Amalco;

"Amalco Preferred Shares" means the Preferred Shares in the capital of Amalco;

"Amalgamating Corporations" means Holdings and the Corporation;

"Amalgamation" means the amalgamation of the Amalgamating Corporations as contemplated in this Agreement;

"Business Day" means any day other than Saturday, Sunday or a statutory holiday in the cities of Toronto or Ottawa, Ontario;

"CBCA" means the Canada Business Corporations Act, R.S.C. 1985 c.C-44, as amended from time to time;

"Dissenting Shareholder" means a shareholder of the Corporation who, in connection with the special resolution of the shareholders of the Corporation to approve and adopt this Agreement, has exercised the right of dissent provided by, and who has sent to the Corporation a written objection and demand for payment within the time limits and in the manner prescribed by, section 190 of the CBCA with respect to such shareholder's shares in the capital of the Corporation;

"Effective Date" means the date of the Amalgamation as set forth in the certificate of amalgamation to be issued to Amalco;

"Filing Date" has the meaning ascribed thereto in section 5.02 hereof;

"Hawker Siddeley Common Shares" means the common shares in the capital of the Corporation;

"Hawker Siddeley 5¾% Preferred Shares" means the 5¾% Cumulative Redeemable Preferred Shares in the capital of the Corporation;

"Holdings Common Shares" means the common shares in the capital of Holdings;

'Prospectus" means the prospectus to be filed by Holdings with securities regulatory authorities in the provinces of Canada in order to qualify the transfer of Holdings Common Shares upon exercise of special warrants to acquire such shares previously issued by HS Management;

"Subsidiary" has the meaning ascribed thereto by the CBCA;

"Underwriting Agreement" means the agreement dated February 7, 1994 among BTR plc, HS Management, Holdings, the Corporation and RBC Dominion Securities Inc. ("RBCDS"), Nesbitt Thomson Inc., First Marathon Securities Limited, Gordon Capital Corporation and ScotiaMcLeod Inc. (collectively, the "Underwriters");

"Warrant and Escrow Agent" means The R-M Trust Company, as warrant and escrow agent under the Warrant Indenture;

"Warrant and Escrow Agent's Notice" means the notice to be given by the Warrant and Escrow Agent under section 4.05 of the Warrant Indenture, which notice shall specify that all special warrants issued under such Warrant Indenture have been exercised by the Warrant and Escrow Agent and the date of such exercise; and

"Warrant Indenture" means the warrant indenture dated as of February 18, 1994 among HS Management, Holdings, the Warrant and Escrow Agent and RBCDS in respect of special warrants to acquire Holdings Common Shares previously issued by HS Management.

Words and phrases used herein that are defined in the CBCA shall have the same meaning herein as in the CBCA unless the context otherwise requires.

ARTICLE 2 — REPRESENTATIONS AND WARRANTIES

2.01 Representations and Warranties of HS Management

HS Management hereby represents and warrants to the Corporation as follows, and confirms that the Corporation is relying upon the accuracy of each of such representations and warranties in connection with the Amalgamation:

(a) *Authorized and Issued Capital.* The authorized capital of Holdings consists of an unlimited number of Holdings Common Shares of which 4,816,646 are issued and outstanding as fully paid and non-assessable. Holdings does not have any outstanding subscriptions, warrants, options or other agreements or commitments obligating it to issue additional securities.

(b) *Corporate Authority.* Each of Holdings and HS Management has good right, full corporate power and absolute authority to enter into this Agreement and to perform all of their respective obligations under this Agreement.

(c) *Contractual and Regulatory Approvals.* Neither Holdings nor HS Management is under any obligation, contractual or otherwise, to request or obtain the consent of any person, and no permits, licences, certifications, authorizations or approvals of, or notifications to, any federal, provincial, municipal or local government or governmental agency, board, commission or authority are required to be obtained by Holdings or HS Management, in connection with the execution, delivery or performance by Holdings or HS Management of this Agreement or the completion of the Amalgamation contemplated herein, except for consents and approvals under provincial securities legislation and under the CBCA.

(d) *Compliance with Constating Documents, Agreements and Laws.* The execution, delivery and performance of this Agreement by Holdings and HS Management and the completion of the Amalgamation contemplated hereby, will not constitute or result in a violation or breach of or default under, or cause the acceleration of any obligations of Holdings or HS Management under:

(i) any term or provision of any of the articles, bylaws or other constating documents or resolution of the directors or shareholders of Holdings or HS Management, or

(ii) the terms of any agreement (written or oral), indenture, instrument or understanding or other obligation or restriction to which Holdings or HS Management is a party or by which either of them is bound, or

(iii) any term or provision of any licence or permit or any judgment, decree, order or award of any court, governmental authority or regulatory body, or

(iv) any applicable law, statute, ordinance, regulation or rule, provided that Holdings obtain certain consents and approvals required under provincial securities legislation and under the CBCA.

(e) *Corporate Records.* The corporate records and minute books of Holdings, all of which have been provided to the Corporation, contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders of Holdings held since its incorporation and originally signed copies of all resolutions and by-laws duly passed or confirmed by the directors or shareholders of Holdings other than at a meeting. All such meetings were duly called and held. The share certificate books, register of security holders, register of transfers and register of directors and any similar corporate records of Holdings are complete and accurate in all material respects .

(f) *Financial Statements.*

(i) The audited financial statements of Holdings for the month ended January 31, 1994 and the year ended December 31, 1993 have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the year ended December 31, 1992 (except that such statements have been prepared on an unconsolidated basis, as described in Note 1 therein), are true, correct and complete in all material respects and present fairly the unconsolidated financial condition of Holdings as of January 31, 1994 and December 31, 1993, including the unconsolidated assets and liabilities of Holdings as of January 31, 1994 and December 31, 1993, and the unconsolidated revenues, expenses and results of the operations of Holdings for the month ended January 31, 1994 and the fiscal year ended on December 31, 1993.

(ii) The financial condition of Holdings is now at least as good as the financial condition reflected in the audited interim financial statements of Holdings for the period ended January 31, 1994.

(g) *Liabilities of Holdings.* There are no debts, liabilities or obligations (whether disclosed or undisclosed, accrued, absolute, contingent or otherwise) of Holdings of any kind whatsoever, including but not limited to any and all liabilities for federal, provincial, sales, excise, income, corporate or any other taxes of Holdings and no contractual liabilities, trade liabilities and intercompany liabilities of Holdings. There is no basis for assertion against Holdings of any debts, liabilities or obligations of any kind. At the Effective Date there will be no liabilities (contingent or otherwise) of Holdings of any kind whatsoever, and there will be no basis for assertion against Holdings of any liabilities of any kind, other than liabilities in respect of dividends to be declared and paid on the Holdings Common Shares which shall be equal to dividends received or to be received by Holdings at such time on the Hawker Siddeley Common Shares.

(h) *Litigation.* There are no actions, suits or proceedings, judicial or administrative (whether or not purportedly on behalf of Holdings) pending or, to the best of the knowledge of HS Management, threatened, by or against or affecting Holdings at law or in equity, or before or by any court or any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign. To the knowledge of HS Management there are no grounds on which any such action, suit or proceeding might be commenced.

(i) *Contracts and Obligations.* Subject to section 2.01(g) hereof and other than the obligations of Holdings in respect of this Agreement, the Warrant Indenture and the Underwriting Agreement, Holdings is not a party to or bound by any agreement with, is not indebted to, and no amount is owing by Holdings to any person.

(j) *Organization.* Holdings is a corporation duly incorporated and organized and validly subsisting under the laws of Canada.

(k) *Authorization and Binding Obligation.* This Agreement has been duly authorized, executed and delivered by each of Holdings and HS Management and is a legal, valid and binding obligation of each of Holdings and HS Management, enforceable against Holdings and HS Management, as the case may be, by the Corporation in accordance with its terms.

(l) *Ownership of Shares.* Holdings is the beneficial owner of record of 4,816,646 Hawker Siddeley Common Shares with good and marketable title thereto, free and clear of all liens, encumbrances, pledges, charges and security interests and, without limiting the generality of the foregoing, none of such shares is subject to any voting trust, shareholder agreement or voting agreement. HS Management is the beneficial owner of record of 4,816,646 Holdings Common Shares with good and marketable title thereto, free and clear of all liens, encumbrances, pledges, charges and security interests, save and except any lien, encumbrance, pledge, charge and security interests arising out of the obligations of Holdings and HS Management pursuant to the Underwriting Agreement and the Warrant Indenture.

(m) *No Subsidiaries.* Holdings does not own and does not have any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary interests in any person, firm or corporation (other than the 4,816,646 Hawker Siddeley Common Shares owned by Holdings) and Holdings does not have any agreements to acquire or lease any other business operations.

(n) *No Assets.* Holdings does not have any property or assets, other than the 4,816,646 Hawker Siddeley Common Shares owned by it and dividends received or to be received by Holdings in respect of the Hawker Siddeley Common Shares held by it.

(o) *Compliance with Laws.* Holdings is in compliance with all applicable laws, statutes, ordinances, regulations, rules, judgments, decrees or orders.

(p) *Taxes.* Holdings has duly filed on a timely basis all tax returns required to be filed by it and has paid all taxes that are due and payable, and all assessments, reassessments, governmental charges, penalties, interest and fines due and payable by it. Holdings has made adequate provision for taxes payable by it for the current period and any previous period for which tax returns are not yet required to be filed. There are no actions, suits, proceedings, investigations or claims pending or, to the knowledge of HS Management, threatened against, Holdings in respect of taxes, governmental charges or assessments, nor are any material matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority. Holdings has withheld from each payment made to any of its past or present employees, officers or directors, and to any non-resident of Canada, the amount of all taxes and other deductions required to be withheld therefrom and has paid the same to the proper tax or other receiving officers within the time required under any applicable legislation. Holdings has remitted to the appropriate tax authority when required by law to do so all amounts collected by it on account of GST, if any. The Canadian federal income tax liability of Holdings has been assessed by Revenue Canada for all fiscal years up to and including the fiscal year ended December 31, 1992 and there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return by, or payment of any tax, governmental charge or deficiency against, Holdings.

(q) *Dividends.* Since May 5, 1989, Holdings has not, directly or indirectly, declared or paid any dividends or declared or made any other distribution on any Holdings Common Shares and has not, directly or indirectly, redeemed, purchased or otherwise acquired any of its outstanding Holdings Common Shares or agreed to do so, except in respect of the dividends to be declared prior to the Effective Date as described in the Warrant Indenture.

(r) *Full Disclosure.* Neither this Agreement nor any document to be delivered pursuant to this Agreement by Holdings or HS Management, nor any certificate, report, statement of other document furnished by Holdings or HS Management in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. There has been no event, transaction or information that has come to the attention of Holdings or HS Management that has not been disclosed to the Corporation in writing that could reasonably be expected to have a material adverse effect on the financial condition of Holdings.

(s) *Special Resolution.* A special resolution has been executed by HS Management, as sole shareholder of Holdings, to approve the Amalgamation.

2.02 Representations and Warranties of the Corporation

The Corporation hereby represents and warrants to Holdings and HS Management as follows, and confirms that Holdings and HS Management are relying upon the accuracy of each of such representations and warranties in connection with the Amalgamation:

(a) *Authorized and Issued Capital.* The authorized capital of the Corporation consists of an unlimited number of Hawker Siddeley Common Shares of which 8,201,351 are issued and outstanding as fully paid and non-assessable, 140,000 Hawker Siddeley 5¾% Preferred Shares of which 140,000 are issued and outstanding as fully paid and non-assessable and an unlimited number of Preferred Shares designated Preferred Shares of which none is outstanding.

(b) *Corporate Authority.* The Corporation has good right, full corporate power and absolute authority to enter into this Agreement and to perform all of its obligations under this Agreement.

(c) *Authorization and Binding Obligation.* This Agreement has been duly authorized, executed and delivered by the Corporation and is a legal, valid and binding obligation of the Corporation, enforceable against the Corporation by Holdings and HS Management, as the case may be, in accordance with its terms.

(d) *Contractual and Regulatory Approvals.* Neither the Corporation nor any of its Subsidiaries is under any obligation, contractual or otherwise, to request or obtain the consent of any person, and no permits, licences, certifications, authorizations or approvals of, or notifications to, any federal, provincial, municipal or local government or governmental agency, board, commission or authority are required to be obtained by the Corporation or any of its Subsidiaries in connection with the execution, delivery or performance by the Corporation of this Agreement or the completion of the Amalgamation contemplated herein, except for consents and approvals under provincial securities legislation and under the CBCA.

(e) *Compliance with Constating Documents, Agreements and Laws.* The execution, delivery and performance of this Agreement by the Corporation and the completion of the Amalgamation contemplated hereby, will not constitute or result in a violation or breach of or default under, or cause the acceleration of any obligations of the Corporation or any of its Subsidiaries under:

(i) any term or provision of any of the articles, by-laws or other constating documents of the Corporation or any of its Subsidiaries, or

(ii) the terms of any agreement (written or oral), indenture, instrument or understanding or other obligation or restriction to which the Corporation or any of its Subsidiaries is a party or by which it is bound, or

(iii) any term or provision of any of the licences or any order of any court, governmental authority or regulatory body or any law or regulation of any jurisdiction in which the business of the Corporation or any of its Subsidiaries is carried on.

(f) *Corporate Records.* The corporate records and minute books of the Corporation all of which have been provided to Holdings and HS Management contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders of the Corporation held since its incorporation and original signed copies of all resolutions and by-laws duly passed or confirmed by the directors or shareholders of the Corporation other than at a meeting. All such meetings were duly called and held. The share certificate books, register of security holders, register of transfers and register of directors and any similar corporate records of the Corporation are complete and accurate in all material respects.

ARTICLE 3 — COVENANTS

3.01 Covenants not to Issue Shares

Holdings covenants and agrees that prior to the Effective Date it will not allot or issue any shares of its capital stock; will not enter into or have outstanding any subscriptions, warrants, options or other agreements or commitments obligating it to issue any shares of its capital stock except as referred to herein or as contemplated hereby; will not declare or pay any dividend or declare or make any other distribution to its shareholders (other than a dividend payable to the holders of the Holdings Common Shares in an amount equal to the dividend declared on the Hawker Siddeley Common Shares from the date hereof to the day prior to the Effective Date) and will not, without the consent of the other parties hereto, enter into any transaction outside the ordinary course of its business other than in respect of the Warrant Indenture and the Underwriting Agreement.

3.02 Covenant of Holdings

Holdings covenants and agrees to vote in favour of the special resolution to approve the Amalgamation which will be submitted to holders of Hawker Siddeley Common Shares.

3.03 Covenant of HS Management

HS Management covenants and agrees to do and cause to be done all things necessary to cause Holdings to perform its obligations under this Agreement.

3.04 Agreement to Supply Information

The Corporation agrees to supply HS Management, upon HS Management's request, with such information as HS Management shall reasonably require to enable HS Management to claim underlying tax relief in the United Kingdom. Such information will include, without limitation, all financial statements and all income tax assessments issued by any federal, provincial, state or other authorities for the Corporation and all Subsidiaries from which dividends have been paid to the Corporation prior to the Effective Date.

3.05 Access to Holdings

Holdings shall forthwith make available to the Corporation and its authorized representatives and, if requested by the Corporation, provide a copy to the Corporation of, all title documents, contracts, financial statements, minute books, share certificate books, share registers, plans, reports, licences, orders, permits, books of account, accounting records, constating documents and all other documents, information or data relating to Holdings. Holdings shall afford the Corporation and its authorized representatives every reasonable opportunity to have free and unrestricted access to the property, assets, undertaking, records and documents of Holdings. At the request of the Corporation, Holdings shall execute or cause to be executed such consents, authorizations and directions as may be necessary to permit any inspection of any property of Holdings or to enable the Corporation or its authorized representatives to obtain full access to all files and records relating to any of the assets of Holdings maintained by governmental or other public authorities. At the Corporation's request, Holdings shall co-operate with the Corporation in arranging any such meetings as the Corporation should reasonably request with auditors, solicitors or any other persons engaged or previously engaged to provide services to Holdings who have knowledge of matters relating to Holdings. The exercise of any rights of inspection by or on behalf of the Corporation hereunder

shall not mitigate or otherwise affect the representations and warranties of Holdings hereunder, which shall continue in full force and effect as provided herein.

3.06 Delivery of Books and Records

At the Effective Date, HS Management shall deliver to the Corporation all of the books and records of and relating to Holdings.

3.07 Change and Use of Name

Within 30 days from the Effective Date, HS Management will cause each of its associates or affiliates incorporated under the laws of Canada or any province thereof that includes the name "Hawker Siddeley" or "Hawker" or "Siddeley" in its name to change its name to a name that does not include the name "Hawker Siddeley" or "Hawker" or "Siddeley" or any part thereof or any similar words. HS Management agrees that from and after the Effective Date none of its associates or affiliates incorporated under the laws of Canada or any province thereof will use the name "Hawker Siddeley" or "Hawker" or "Siddeley" or any part thereof or any similar words without the prior written consent of the Corporation.

3.08 Conduct Prior to Amalgamation

Without in any way limiting any other obligations of Holdings and HS Management hereunder, during the period from the date hereof to the Effective Date:

(a) *Conduct Business in the Ordinary Course.* HS Management shall cause Holdings to conduct, and Holdings shall conduct, its operations and affairs only in the ordinary and normal course of business consistent with past practice, and Holdings shall not, without the prior written consent of the Corporation, enter into any transaction or refrain from doing any action that, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation of HS Management or Holdings contained herein, and provided further that Holdings shall not make any material decisions or enter into any material contracts without the consent of the Corporation.

(b) *Corporate Action.* HS Management shall use its commercially reasonable efforts to take and cause Holdings to take, and each of Holdings and the Corporation shall use its commercially reasonable efforts to take, all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the agreements and documents contemplated hereby and to complete the Amalgamation and to cause all necessary meetings of directors and shareholders of the Corporation, Holdings and HS Management to be held for such purpose; provided that nothing contained herein shall fetter the discretion of the board of directors of each of HS Management, Holdings and the Corporation under section 9.01(a) hereof.

(c) *Reasonable Efforts.* Each of the Corporation, Holdings and HS Management shall use its commercially reasonable efforts to satisfy the conditions contained in Article 4 for which such party is responsible; provided that nothing contained herein shall fetter the discretion of the board of directors of each of HS Management, Holdings and the Corporation under section 9.01(a) hereof.

ARTICLE 4 — CONDITIONS

4.01 Conditions Precedent for the Corporation

The obligation of the Corporation to consummate the Amalgamation is subject to the following conditions (which conditions are inserted for the sole benefit of the Corporation and may be waived by it, with or without conditions, in whole or in part):

(a) the representations and warranties of HS Management set forth herein shall be true and accurate at the Filing Date with the same force and effect as if such representations and warranties had been made at that time. In addition, Holdings and HS Management shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by them at or prior to the Filing Date. HS Management shall have delivered to the Corporation a certificate confirming that the facts with respect to each of such representations and warranties by HS Management are as set out herein at

the Filing Date and that each of HS Management and Holdings has performed all covenants required to be performed by it hereunder; and

(b) Holdings shall have surrendered for cancellation the certificate or certificates representing 4,816,646 Hawker Siddeley Common Shares.

4.02 Condition Precedent for Holdings

The obligation of Holdings to consummate the Amalgamation is subject to the following condition (which condition is inserted for the sole benefit of Holdings and may be waived by it, with or without conditions, in whole or in part):

(a) the representations and warranties of the Corporation set forth herein shall be true and accurate at the Filing Date with the same force and effect as if such representations and warranties had been made at that time. In addition, the Corporation shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by it at or prior to the Filing Date. The Corporation shall have delivered to Holdings and HS Management a certificate confirming that the facts with respect to each of such representations and warranties by the Corporation are as set out herein at the Filing Date and that the Corporation has performed all covenants required to be performed by it hereunder.

4.03 Mutual Conditions Precedent

The Amalgamation is subject to the conditions precedent that:

(a) the Amalgamation shall have been approved by not less than two-thirds of the votes cast by holders of Hawker Siddeley Common Shares and 5¾% Hawker Siddeley Preferred Shares who vote in respect of the motion to approve the Amalgamation at a special meeting of the shareholders of the Corporation called for such purpose;

(b) all approvals required to be obtained from regulatory authorities in connection with the transactions contemplated hereby and by the Underwriting Agreement and the Prospectus shall have been obtained;

(c) Holdings and HS Management shall have received the Warrant Agent's Notice; and

(d) the directors of each of the Amalgamating Corporations and of HS Management shall have resolved, and delivered to RBCDS written notification of its intention, to proceed to complete this Agreement and to not take any steps to terminate this Agreement pursuant to Article 9 hereof.

ARTICLE 5 — AMALGAMATION

5.01 Completion of Amalgamation

The Amalgamating Corporations and each of them do hereby agree to amalgamate pursuant to the provisions of the CBCA and to continue as one corporation on the terms and conditions herein set forth, such Amalgamation to occur and become effective on the first day of the month following the month in which all of the conditions precedent set forth in Article 4 shall have been satisfied or waived.

5.02 Approval and Filing

On the date of satisfaction or waiver of each of the conditions set out in Article 4 hereof (the "Filing Date"), the Amalgamating Corporations shall jointly file on the Filing Date or the next Business Day with the Director under the CBCA articles of amalgamation and such other documents as may be required for the purpose of bringing the Amalgamation into effect as herein provided on the date specified in section 5.01.

5.03 Effect of Amalgamation

As of the Effective Date:

(a) the amalgamation of the Amalgamating Corporations and their continuance as one corporation under the terms and conditions prescribed in this Agreement shall become effective;

(b) the property of each Amalgamating Corporation continues to be the property of Amalco;

(c) Amalco continues to be liable for the obligations of each Amalgamating Corporation;

(d) any existing cause of action, claim or liability to prosecution with respect to each of the Amalgamating Corporations is unaffected;

(e) a civil, criminal or administrative action or proceeding pending by or against an Amalgamating Corporation may be continued to be prosecuted by or against Amalco;

(f) a conviction against or ruling, order or judgment in favour of or against an Amalgamating Corporation may be enforced by or against Amalco; and

(g) the articles of amalgamation are deemed to be the articles of incorporation of Amalco and the certificate of amalgamation is deemed to be the certificate of incorporation of Amalco.

ARTICLE 6 — AMALGAMATED CORPORATION

6.01 Name

The name of Amalco shall be

HAWKER SIDDELEY CANADA INC.

6.02 Restriction on Businesses of the Corporation

Amalco is not restricted from carrying on any business or businesses.

6.03 Registered Office

(a) The registered office of Amalco shall be in the City of Mississauga in the Province Ontario;

(b) The address of the registered office of Amalco shall be:

3 Robert Speck Parkway
Suite 700
Mississauga, Ontario
L4Z 2G5

6.04 Authorized Capital

The authorized capital of Amalco shall consist of an unlimited number of Amalco Common Shares, 140,000 Amalco 5¾% Preferred Shares and an unlimited number of Amalco Preferred Shares. The rights, privileges, restrictions and conditions attaching to each of the Amalco Common Shares, the Amalco 5¾% Preferred Shares and the Preferred Shares shall be substantially as set out in Schedule 6.04 to this Agreement.

6.05 Number of Directors

Amalco shall have a minimum of 8 directors and a maximum of 15 directors. The number of directors of Amalco within the minimum and maximum number of directors shall initially be 10 and the directors of Amalco shall be empowered to determine from time to time the number of directors of Amalco within the said minimum and maximum numbers provided for in the articles of amalgamation of Amalco as the same may be amended from time to time.

6.06 Directors

The first directors of Amalco shall be the persons whose names appear below:

Name	Residence Address	Resident Canadian
Beth M. Bandler	Etobicoke, Ontario	Yes
Arthur H. Crockett	Toronto, Ontario	Yes
Robert Ferchat	Mississauga, Ontario	Yes
Louis Hollander	Toronto, Ontario	Yes
John F. Howard	Woodbridge, Ontario	Yes
Keith F. Moore	Oakville, Ontario	No
Louis Rochette	Quebec City, Quebec	Yes
Guylaine Saucier	Montreal, Quebec	Yes
Thomas K. Shoyama	Victoria, British Columbia	Yes
A.M. Gordon Turnbull	Mississauga, Ontario	Yes

Such directors shall hold office until the first annual meeting of Amalco or until their successors are duly elected or appointed.

6.07 By-Laws

The by-laws of Amalco until repealed, amended or altered, shall be the by-laws of the Corporation.

6.08 Financial Year End

Until otherwise determined by resolution of the directors of Amalco, the financial year of Amalco shall end on the last day of December in each year.

ARTICLE 7 — CANCELLATION OF STOCK AND CONVERSION UPON AMALGAMATION

7.01 Conversion of Stock

Upon the Amalgamation:

(a) all of the Hawker Siddeley Common Shares held by Holdings shall be cancelled without any repayment of capital in respect thereof;

(b) all of the remaining Hawker Siddeley Common Shares (other than those held by Dissenting Shareholders) shall be converted into Amalco Common Shares on the basis of one Amalco Common Share for each such Hawker Siddeley Common Share;

(c) all of the issued and outstanding Hawker Siddeley 5¾% Preferred Shares (other than those held by Dissenting Shareholders) shall be converted into Amalco 5¾% Preferred Shares on the basis of one Amalco 5¾% Preferred Share for each such Hawker Siddeley 5¾% Preferred Share;

(d) all of the issued and outstanding Holdings Common Shares shall be converted into Amalco Common Shares on the basis of one Amalco Common Share for each such Holdings Common Share; and

(e) all of the Hawker Siddeley Common Shares and Hawker Siddeley 5¾% Preferred Shares held by Dissenting Shareholders shall be dealt with in accordance with the provisions of section 7.02 of this Agreement.

7.02 Dissenting Shareholders

Notwithstanding anything in this Agreement to the contrary, Hawker Siddeley Common Shares and Hawker Siddeley 5¾% Preferred Shares in respect of which a Dissenting Shareholder shall dissent shall not be converted into Amalco Common Shares or Amalco 5¾% Preferred Shares, as the case may be, at the Effective Date as provided in section 7.01 hereof; provided, however, that in the event that a Dissenting Shareholder fails to perfect or effectively withdraws his or her claim under section 190 of the CBCA or forfeits his or her right to make a claim under section 190 of the CBCA or his or her rights as a shareholder are otherwise reinstated, such shareholder's Hawker Siddeley Common Shares or Hawker Siddeley 5¾% Preferred Shares, as the case may be, shall thereupon

be deemed to have been converted as at the Effective Date into Amalco Common Shares or Amalco 5¾% Preferred Shares, as the case may be, as provided in section 7.01 of this Agreement.

7.03 Stated Capital

The stated capital account of Amalco maintained for the Amalco 5¾% Preferred Shares shall initially be equal to the aggregate stated capital attributable to the Hawker Siddeley 5¾% Preferred Shares. The stated capital account of Amalco maintained for the Amalco Common Shares shall initially be equal to the aggregate stated capital attributable to the Hawker Siddeley Common Shares (other than the Hawker Siddeley Common Shares held by Holdings) and the Holdings Common Shares which have been converted into Amalco Common Shares.

7.04 Share Certificates

After the Amalgamation, Amalco shall issue and deliver certificates evidencing the Amalco Common Shares on the basis set out in section 7.01 hereof to the registered holders of Holdings Common Shares. The certificates representing Hawker Siddeley Common Shares and Hawker Siddeley 5¾% Preferred Shares shall be deemed to evidence the Amalco Common Shares and the Amalco 5¾% Preferred Shares to which the holders of such shares are entitled, save and except the certificate or certificates representing 4,816,646 Hawker Siddeley Common Shares held by Holdings, which shall be surrendered for cancellation on the Effective Date.

ARTICLE 8 — SPECIAL PROVISIONS

8.01 Special Provisions

Without derogation from or limitation of the capacity, rights, powers and privileges of Amalco or the authority of its directors, Amalco may from time to time with or without the authority of any by-law to that effect:

(a) borrow money upon the credit of Amalco including by way of overdraft;

(b) issue, re-issue, sell or pledge debt obligations (as defined in the CBCA) of Amalco;

(c) give a guarantee on behalf of Amalco to secure performance of any present or future indebtedness, liability or obligation of any person;

(d) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any property, assets, rights, interests or undertaking of Amalco, owned or subsequently acquired, to secure any debt obligation or any other liability or obligation of Amalco or of any subsidiary of Amalco; and

(e) provide for the delegation to a director, a committee of directors, an officer or any other person or one or more of them as may be designated by resolution of the directors, either generally or in any specific case, all or any of the powers conferred by the foregoing provisions to such extent and in such manner as may be determined at the time of each such delegation.

ARTICLE 9 — TERMINATION OF AMALGAMATION

9.01 Termination

(a) Notwithstanding any other provision set forth herein or in the Underwriting Agreement or in any other agreement contemplated hereby or thereby, this Agreement may be terminated by a written notification of either of the Amalgamating Corporations or of HS Management delivered to each party to this Agreement and to RBCDS at any time prior to the Filing Date, for any reason, notwithstanding the satsifaction of the conditions precedent set forth in Article 4 of this Agreement.

(b) This Agreement shall be terminated if the Amalgamation has not been completed on or prior to May 31, 1994 or such later date as may be agreed upon by the parties hereto but in no event later than June 30, 1994.

(c) If this Agreement is terminated pursuant to this section 9.01, this Agreement shall forthwith become null and void and of no further force and effect and, except as provided in the Underwriting Agreement or any document or agreement delivered pursuant thereto, there shall be no liabilities on the part of either party hereto as a result of such termination.

ARTICLE 10 — GENERAL

10.01 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.02 Entire Agreement

This Agreement constitutes the entire agreement among the parties to this Agreement relating to the Amalgamation and supersedes all prior agreements and understandings, oral and written, between such parties with respect to the subject matter hereof.

10.03 Currency

Unless otherwise indicated, all dollar amounts referred to in this Agreement are expressed in Canadian funds.

10.04 Sections and Headings

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to a section or a Schedule refers to the specified section of or Schedule to this Agreement.

10.05 Number, Gender and Persons

In this Agreement, words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders and words importing persons shall include individuals, corporations, partnerships, association, trusts, unincorporated organizations, governmental bodies and other legal or business entities.

10.06 Time of Essence

Time shall be of the essence of this Agreement.

10.07 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

10.08 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on and enforceable by the parties and, where the context so permits, their respective successors and permitted assigns. No party may assign any of its rights or obligations hereunder without the prior written consent of the other parties.

10.09 Amendment and Waivers

No amendment or waiver of any provision of this Agreement shall be binding on any party unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver constitute a continuing waiver unless otherwise expressly provided.

10.10 Survival

The covenants, representations and warranties contained in this Agreement and any agreement, instrument, certificate or other document executed or delivered pursuant hereto shall survive the Amalgamation and the completion of the transactions contemplated hereby and shall continue in full force and effect.

10.11 Further Assurances

Each party to this Agreement covenants and agrees that, from time to time it will, at the request and expense of the requesting party, execute and deliver all such documents, including, without limitation, all such additional consents and other assurances and do all such other acts and things as any other party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of

this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

10.12 Notices

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopy or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

(i) if to Holdings or HS Management:

Silvertown House, Vincent Square
London, England
SW1P 2PL

Attention: Stanley K. Williams
Group Commercial Attorney

Telecopier No.: 011-44-71-630-1014

(ii) if to the Corporation:

Suite 700
3 Robert Speck Parkway
Mississauga, Ontario
L4Z 2B6

Attention: Secretary

Telecopier No.: (905) 897-6130

(b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted or, if mailed on the fifth day following the date of mailing; provided, however that if at the time of mailing or within three days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

(c) Any party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 10.12.

10.13 Consultation

The parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the transactions contemplated hereby and, except as required by any applicable law or regulatory requirement, no party hereto shall issue any such press release or make any such public announcement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed.

10.14 Counterparts

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF this Amalgamation Agreement has been executed by the parties hereto as of the day and year first above written.

Hawker Siddeley Canada Inc.

By: "KEITH F. MOORE"

By: "A.M. GORDON TURNBULL"

HSC Hawker Canada Ltd.

By: "KEITH F. MOORE"

By: "A.M. GORDON TURNBULL"

Hawker Siddeley Management Limited

By: "EDGAR P. DEVYLDER"

Consumer and Corporate Affairs Canada
Canada Business Corporations Act

Consommation et Affaires commerciales Canada
Loi régissant les sociétés par actions de régime fédéral

FORM 9 ARTICLES OF AMALGAMATION (SECTION 185)

FORMULE 9 STATUTS DE FUSION (ARTICLE 185)

1 — Name of amalgamated corporation / Dénomination de la société issue de la fusion

HAWKER SIDDELEY CANADA INC.

2 — The place in Canada where the registered office is to be situated / Lieu au Canada où doit être situé le siège social

City of Mississauga
Province of Ontario

3 — The classes and any maximum number of shares that the corporation is authorized to issue / Catégories et tout nombre maximal d'actions que la société est autorisée à émettre

The annexed Schedule A is incorporated into this form.

4 — Restrictions, if any, on share transfers / Restrictions sur le transfert des actions, s'il y a lieu

None

5 — Number (or minimum and maximum number) of directors / Nombre (ou nombre minimal et maximal) d'administrateurs

A number to be determined by the directors from time to time, being not less than 8 nor more than 15

6 — Restrictions, if any, on business the corporation may carry on / Limites imposées à l'activité commerciale de la société, s'il y a lieu

None

7 — Other provisions, if any / Autres dispositions, s'il y a lieu

The annexed Schedule B is incorporated in this form

8 — The amalgamation has been approved pursuant to that section or subsection of the Act which is indicated as follows: / 8 — La fusion a été approuvée en accord avec l'article ou le paragraphe de la Loi indiqué ci-après.

- [X] 183
- [ ] 184(1)
- [ ] 184(2)

9 – Name of the amalgamating corporations / Dénomination des sociétés fusionnantes	Corporation No. / N° de la société	Signature	Date	Title / Titre
Hawker Siddeley Canada Inc.	235027-1		1994	Secretary
HSC Hawker Canada Ltd.	058049-0		1994	Secretary

FOR DEPARTMENTAL USE ONLY — À L'USAGE DU MINISTÈRE SEULEMENT
Corporation No. — N° de la société

Filed — Déposée

7530-21-936-1390 (01-93) 46

SCHEDULE A TO THE ARTICLES OF AMALGAMATION OF HAWKER SIDDELEY CANADA INC.

3.1 The share capital of the Corporation shall consist of:

(i) 140,000 first preferred shares, designated 5¾% Cumulative Redeemable Preferred Shares, all of which are issued and outstanding;

(ii) an unlimited number of preferred shares, designated Preferred Shares; and

(iii) an unlimited number of common shares,

the rights, privileges, restrictions and conditions of which are set forth below.

3.2 The rights, privileges, restrictions and conditions attaching to the 5¾% Cumulative Redeemable Preferred Shares (hereinafter referred to as "5¾% Preferred Shares") are as follows:

(i) The 5¾% Preferred Shares shall be preferred as to capital and dividends over the Preferred Shares and common shares of the Corporation and any other shares of the Corporation ranking junior to the 5¾% Preferred Shares and shall also have such other preferences over the Preferred Shares and common shares of the Corporation and any other shares of the Corporation ranking junior to the 5¾% Preferred Shares as may be determined hereinafter.

(ii) The holders of the 5¾% Preferred Shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Corporation now or hereafter authorized.

(iii) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the 5¾% Preferred Shares without the approval of the holders of such shares given as hereinafter specified nor shall any additional 5¾% Preferred Shares be created without such approval.

(iv) The holders of the 5¾% Preferred Shares shall be entitled to receive and the Corporation shall pay thereon if, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at the rate of 5¾% per annum payable quarterly on the 2nd days of January, April, July and October in each year on the amounts from time to time paid up thereon; such dividend shall accrue from such date or dates as at the time of issue was determined by the board of directors of the Corporation, or in case no date was so determined then from the date of allotment. Warrants or cheques of the Corporation payable at par at any branch of the Corporation's bankers for the time being in Canada shall be issued in respect of such dividends. If on any dividend payment date the dividend payable on such date is not paid in full on all of the 5¾% Preferred Shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Corporation on which the Corporation shall have sufficient moneys properly applicable to the payment of the same. The holders of the 5¾% Preferred Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for.

(v) In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs the holders of the 5¾% Preferred Shares shall be entitled to receive the amount paid up thereon together with all accrued and unpaid preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends thereon have been paid up to the date of distribution) before any amount shall be paid or any property or assets of the Corporation distributed to the holders of shares of any class ranking junior to the 5¾% Preferred Shares. After payment to the holders of the 5¾% Preferred Shares of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

(vi) Subject to the provisions of clause (ix) of this section 3.2, the Corporation may at any time or times purchase (if obtainable) for cancellation the whole or any part of the 5¾% Preferred Shares outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the 5¾% Preferred Shares outstanding at the lowest price at which, in the

opinion of the board of directors, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in clause (vii) of this section 3.2 plus costs of purchase. If upon any invitation for tenders under the provisions of this clause the Corporation shall receive tenders of 5¾% Preferred Shares at the same lowest price which the Corporation may be willing to pay in an aggregate number greater than the number for which the Corporation is prepared to accept tenders, the 5¾% Preferred Shares so tendered shall be purchased (as nearly as may be *pro rata* disregarding fractions) according to the number of 5¾% Preferred Shares so tendered by each of the holders of 5¾% Preferred Shares who submitted tenders at the said same lowest price. From and after the date of purchase of any 5¾% Preferred Shares under the provisions in this clause contained the shares so purchased shall be deemed to be redeemed and shall be cancelled.

(vii) Subject to the provisions of clause (ix) of this section 3.2, the Corporation may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding 5¾% Preferred Shares on payment for each share to be redeemed of 105% of the amount paid up thereon together with all accrued and unpaid preferential dividends thereon (which for such purpose shall be calculated as if the dividends on the 5¾% Preferred Shares were accruing for the period from the expiration of the last quarterly period for which dividends thereon have been paid up to the date of such redemption). In case a part of the then outstanding 5¾% Preferred Shares is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the directors or the transfer agent appointed by the Corporation in respect of the 5¾% Preferred Shares shall decide or if the directors so determine shall be redeemed *pro rata* (disregarding fractions).

(viii) In any case of redemption of 5¾% Preferred Shares under the provisions of clause (vii) of this section 3.2, the Corporation shall at least 30 days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of 5¾% Preferred Shares to be redeemed a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption as to the other holders. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Corporation shall pay or cause to be paid to or to the order of the registered holders of the 5¾% Preferred Shares to be redeemed the redemption price on presentation and surrender at the head office of the Corporation or any other place designated in such notice of the certificates for the 5¾% Preferred Shares called for redemption. Such 5¾% Preferred Shares shall thereupon be and be deemed to be redeemed and shall be cancelled. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified in any such notice, the 5¾% Preferred Shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any 5¾% Preferred Shares as aforesaid to deposit the redemption price of the shares so called for redemption or of such of the said shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such 5¾% Preferred Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the 5¾% Preferred Shares in respect whereof such deposit shall have been made shall be deemed to be redeemed and shall be cancelled and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving

without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively.

(ix) No dividends shall at any time be declared or paid or set apart for payment on any shares of the Corporation ranking junior to the 5¾% Preferred Shares unless all dividends up to and including the dividend payable for the last completed quarter on the 5¾% Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Corporation ranking junior to the 5¾% Preferred Shares nor shall the Corporation call for redemption or purchase for cancellation or reduce or otherwise pay off any of the 5¾% Preferred Shares less than the total number of 5¾% Preferred Shares then outstanding or any shares of the Corporation ranking junior to the 5¾% Preferred Shares unless all dividends up to and including the dividend payable for the last completed quarter on the 5¾% Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment off.

(x) The holders of 5¾% Preferred Shares shall not be entitled (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting unless and until the Corporation from time to time shall fail to pay in the aggregate 8 quarterly dividends on the 5¾% Preferred Shares on the dates on which the same should be paid according to the terms hereof and unless and until 8 quarterly dividends on the 5¾% Preferred Shares shall remain outstanding and be unpaid, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Corporation properly applicable to the payment of dividends. Thereafter each holder of 5¾% Preferred Shares shall be entitled to receive notice of all meetings of shareholders and to attend thereat and shall be entitled at any and all such meetings to one vote in respect of each 5¾% Preferred Share held and shall continue so to be entitled until such time as all arrears of dividends on the outstanding 5¾% Preferred Shares shall have been paid whereupon the right of the holders of 5¾% Preferred Shares to receive notice of and to attend meetings and to vote in respect of such 5¾% Preferred Shares shall cease unless and until 8 quarterly dividends on the 5¾% Preferred Shares shall again be in arrears and unpaid whereupon the holders of the 5¾% Preferred Shares shall again have the right to receive notice of and to attend meetings and to vote thereat as above provided and so on from time to time.

(xi) The foregoing provisions of this section 3.2, the provisions of this clause and the provisions of clause (xii) of this section 3.2, may be repealed, altered, modified, amended or amplified in the manner stipulated by the Act but only with the approval of the holders of the 5¾% Preferred Shares given as hereinafter specified in addition to any other approval required by the Act.

(xii) The approval of holders of the 5¾% Preferred Shares as to any matter referred to herein may be given by a resolution passed or confirmed by not less then 75% of the votes cast on a poll at a meeting of holders of 5¾% Preferred Shares duly called and held upon at least 15 days' notice; the formalities to be observed with respect to the giving of notice of any such meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders; on every poll taken at every such meeting every holder of 5¾% Preferred Shares shall be entitled to one vote in respect of each share held.

3.3 The Preferred Shares as a class shall rank junior to the 5¾% Preferred Shares, and the rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class are as follows:

(i) The Preferred Shares may from time to time be issued in one or more series. Subject to the following provisions and to the issuance of a certificate and articles of amendment, the directors shall fix the consideration for the issue of the shares of each series and may fix from time to time before such issue the number of shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series including, without limiting the generality of the foregoing, the rate, amount, preference and method of payment or dividends (which may be cumulative or otherwise), the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, any voting rights, and any sinking or purchase fund or other provisions.

(ii) The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and be entitled to preference over any other shares of the Corporation ranking junior to the Preferred Shares. The Preferred Shares shall not have any further right to participate in profits or assets. The Preferred Shares of any series may also be given such other preferences, not inconsistent with these articles, over any other shares of the Corporation ranking junior to such Preferred Shares as may be fixed in accordance with clause (i) of this Section 3.3.

(iii) If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital.

(iv) No dividends shall at any time be declared or paid on or set apart for payment on any shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on each series of Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Corporation ranking junior to the Preferred Shares nor shall the Corporation call for redemption or redeem or purchase for cancellation or reduce or otherwise pay off any of the Preferred Shares (less than the total amount then outstanding) or any shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment off.

(v) Subject to the further provisions of this section 3.3 and the provisions contained in the articles designating any particular series of Preferred Shares and without limitation to the provisions of section 3.5, the holders of Preferred Shares shall not, as such, be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting for the election of directors or for any other purpose.

(vi) The provisions of this section 3.3 or any of them may be deleted, varied, modified, amended or amplified by articles of amendment but only with the prior approval of the holders of the Preferred Shares given as hereinafter specified.

(vii) The approval of the holders of the Preferred Shares with respect to any and all matters referred to herein may be given by resolution passed by not less than ⅔ of the votes cast on a poll at a meeting of the holders of the Preferred Shares duly called for the purpose of considering the same at which holders of Preferred Shares representing not less than a majority of the aggregate of the amounts of consideration fixed by the directors for the issue of all Preferred Shares then outstanding are present in person or represented by proxy; provided however that if at any such meeting, when originally held, such majority is not so present or represented within 30 minutes after the time fixed for the meeting, then the meeting shall be adjourned to such date, being not less than 15 days later, and to such time and place as may be fixed by the chairman of such meeting and, at such adjourned meeting, the holders of Preferred Shares so present or represented, whether or not they are more or less than such majority, may transact the business for which the meeting was originally called, and a resolution passed thereat by not less than ⅔ of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares hereinbefore mentioned. A resolution passed in accordance with the foregoing provisions of this clause shall constitute a special resolution of the holders of Preferred Shares.

(viii) All the provisions of the Act and the by-laws of the Corporation with respect to the giving of notice and the conduct of meetings of shareholders shall, mutatis mutandis, apply to the meetings of the holders of the Preferred Shares referred to in clause (vii) above. On every poll taken at every such meeting every holder of Preferred Shares shall be entitled, subject to the articles designating any particular series, to the number of votes determined by dividing the aggregate consideration fixed by the directors

for the issue of the Preferred Shares of that holder by $25 (and, if any such consideration is denominated in a foreign currency, the equivalent of $25 in such currency as at the date of issue), and any fractions in the resulting number shall be disregarded.

3.4 The Common shares shall rank junior to the 5¾% Preferred Shares and the Preferred Shares and, subject to the provisions of section 3.5 hereof, shall be entitled to one vote per common share at all meetings of the shareholders of the Corporation (other than meetings of classes or series of shares other than common shares). Subject to the rights, privileges, restrictions and conditions attaching to the 5¾% Preferred Shares and the Preferred Shares, the holders of common shares shall be entitled to receive any dividend declared by the Corporation and the remaining property of the Corporation on dissolution.

3.5 The holders of any class or series of shares of the Corporation, other than the holders of the 5¾% Preferred Shares, shall not, as such, be entitled to vote either separately as a class or separately as a series, as the case may be, upon any proposal to amend the articles of the Corporation:

(a) to increase or decrease any maximum number of shares of such class or any series thereof, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class or any series thereof; or

(b) to effect an exchange, reclassification or cancellation of all or part of the shares of such class or any series thereof; or

(c) to create a new class of shares equal or superior to the shares of such class or any series thereof.

3.6 Subject to any contrary provision in the articles, the board of directors may in its discretion determine, at any time or from time to time, with respect to any dividend which may become payable on any shares of any class of the Corporation, that certain holders of such shares (which, for this purpose, may be determined on the basis of citizenship, residency, relationship to the Corporation or such other factors as to the directors may seem appropriate) may be given the right to elect to receive such dividend in the form of a stock dividend. Any stock dividend may be payable (i) in the shares of the class on which the dividend is declared, or (ii) in shares of any other class in the capital of the Corporation, as the directors may from time to time determine. Any stock dividend shall have a value, as determined by the directors at the time of declaration, substantially equal at the time of declaration of the cash dividend to which the holder of a share of the class of share on which the dividend is declared would, but for his election, otherwise have been contemporaneously entitled to receive, provided that only whole shares shall be issued as stock dividends and shareholders shall receive cash in lieu of any fractional share or any fractional interest in shares to which they would otherwise be entitled, unless the board of directors shall otherwise determine.

* * * * *

SCHEDULE B TO THE ARTICLES OF AMALGAMATION OF HAWKER SIDDELEY CANADA INC.

7.1 Without derogation from or limitation of the capacity, rights, powers and privileges of the Corporation or the authority of its directors, the Corporation may from time to time with or without the authority of any by-law to that effect:

(a) borrow money upon the credit of the Corporation including by way of overdraft;

(b) issue, re-issue, sell or pledge debt obligations (as defined in the Act) of the Corporation;

(c) give a guarantee on behalf of the corporation to secure performance of any present or future indebtedness, liability or obligation of any person;

(d) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any property, assets, rights, interests or undertaking of the Corporation, owned or subsequently acquired, to secure any debt obligation or any other liability or obligation of the Corporation or of any subsidiary of the Corporation;

(e) provide for the delegation to a director, a committee of directors, an officer or any other person or one or more of them as may be designated by resolution of the directors, either generally or in any specific case, all or any of the powers conferred by the foregoing provisions to such extent and in such manner as may be determined at the time of each such delegation.

7.2 Where used in these articles or any other articles issued to the Corporation, the term "Act" means the *Canada Business Corporations Act* as the same may from time to time be amended, consolidated or re-enacted, and includes any general business corporations statute enacted in substitution therefor.

APPENDIX "B"

FINANCIAL INFORMATION RESPECTING THE CORPORATION

AUDITORS' REPORT

To the Board of Directors and the Shareholders of
Hawker Siddeley Canada Inc.

We have audited the consolidated balance sheets of Hawker Siddeley Canada Inc. as at December 31, 1993 and 1992 and the consolidated statements of earnings and retained earnings and cash flow for each of the years in the five-year period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial positions of the Company as at December 31, 1993 and 1992 and the results of its operations and the changes in its cash flow for each of the years in the five-year period ended December 31, 1993 in accordance with generally accepted accounting principles.

Price Waterhouse
Chartered Accountants
Toronto, Ontario

February 7, 1994

Consolidated statements of earnings and retained earnings

for the five years ended December 31, 1993

	1993	1992	1991	1990	1989
	($ millions except where indicated)				
Earnings					
Sales	$351.7	$338.9	$361.1	$378.1	$332.9
Cost of sales, selling and administrative expenses	285.1	276.2	309.5	315.6	278.1
Depreciation and amortization	26.2	19.0	18.5	18.1	14.6
	311.3	295.2	328.0	333.7	292.7
Operating profit	40.4	43.7	33.1	44.4	40.2
Interest expense (note 4)	9.8	8.0	5.7	3.1	0.8
Earnings before income taxes	30.6	35.7	27.4	41.3	39.4
Income taxes (note 5)	12.5	14.5	10.6	12.7	13.8
Earnings before minority shareholder's interest	18.1	21.2	16.8	28.6	25.6
Minority shareholder's interest	5.8	5.6	5.1	4.9	4.4
Earnings from continuing operations	12.3	15.6	11.7	23.7	21.2
Loss from discontinued operations (note 6)	(15.5)	(0.2)	(0.4)	—	(7.5)
Net earnings/(loss) of the year	$ (3.2)	$ 15.4	$ 11.3	$ 23.7	$ 13.7
Earnings/(loss) per share *($ per share)*					
Continuing operations	$ 1.40	$ 1.81	$ 1.34	$ 2.80	$ 2.49
Discontinued operations	(1.89)	(0.03)	(0.05)	—	(0.91)
	$(0.49)	$ 1.78	$ 1.29	$ 2.80	$ 1.58
Retained earnings					
Balance — beginning of year	$186.9	$181.1	$179.4	$165.3	$161.2
Net earnings/(loss) of the year	(3.2)	15.4	11.3	23.7	13.7
	183.7	196.5	190.7	189.0	174.9
Dividends					
Preferred shares	0.8	0.8	0.8	0.8	0.8
Common shares	8.8	8.8	8.8	8.8	8.8
	9.6	9.6	9.6	9.6	9.6
Balance — end of year	$174.1	$186.9	$181.1	$179.4	$165.3

Consolidated balance sheets

as at December 31, 1993 and 1992

	1993	1992
	($ millions)	
Assets		
Current assets		
Cash	$ 12.4	$ 10.3
Short-term investments (note 4)	7.0	11.5
Accounts receivable	72.7	68.5
Income taxes recoverable	6.5	2.1
Inventories	65.1	63.0
Prepaid expenses	2.7	2.9
	166.4	158.3
Property, plant and equipment (note 7)		
Cost	592.7	569.3
Accumulated depreciation	(247.1)	(236.9)
	345.6	332.4
Other assets		
Goodwill (note 8)	12.1	9.9
Other intangible assets (note 9)	13.4	18.6
Deferred pension asset (note 10)	15.6	13.5
	41.1	42.0
	$ 553.1	$ 532.7
Liabilities		
Current liabilities		
Bank advances	$ 0.8	$ 21.9
Accounts payable and accrued liabilities	76.9	70.7
Dividends payable	2.4	2.4
Income taxes and other taxes payable	5.7	5.7
Advances on sales contracts	3.4	2.2
Current portion of long-term debt (note 11)	22.6	17.8
	111.8	120.7
Long-term debt less current portion (note 11)	99.1	61.7
Deferred income taxes	50.9	52.4
Minority shareholder's interest in subsidiary company	47.7	43.9
	309.5	278.7
Shareholders' equity		
Capital stock (note 12)		
Issued and fully-paid:		
Preferred shares	14.0	14.0
Common shares	55.3	55.3
Retained earnings	174.1	186.9
Currency translation account (note 13)	0.2	(2.2)
	243.6	254.0
	$ 553.1	$ 532.7

Approved by the Board:

JOHN F. HOWARD
Director

KEITH F. MOORE
Director

Consolidated statements of cash flow

for the five years ended December 31, 1993

	1993	1992	1991	1990	1989
			($ millions)		
Operating activities					
Earnings before income taxes	$ 30.6	$ 35.7	$ 27.4	$ 41.3	$ 39.4
Taxation payments	(9.0)	(6.7)	(9.4)	(11.4)	(11.0)
Proceeds on sale of property, plant and equipment	9.3	1.3	1.4	1.5	2.8
Depreciation of property, plant and equipment (note 3)	19.7	18.5	18.2	17.7	14.6
Amortization of goodwill and other intangible assets	6.5	0.5	0.3	0.4	—
Increase in deferred pension asset	(2.1)	(2.6)	(2.8)	(2.3)	(1.9)
Other	0.1	(0.5)	(0.3)	(0.9)	(0.8)
	55.1	46.2	34.8	46.3	43.1
Working capital					
Accounts receivable and prepaid expenses	(4.8)	5.9	6.1	(8.2)	(1.6)
Inventories	(3.8)	10.1	6.8	(8.4)	7.5
Accounts payable and accrued charges, and other taxes	(12.7)	0.4	3.6	0.1	(11.0)
	(21.3)	16.4	16.5	(16.5)	(5.1)
Cash flow from operating activities	33.8	62.6	51.3	29.8	38.0
Financing activities					
Common shares issued (note 12)	—	0.3	0.5	—	0.1
Increase/(decrease) in long-term debt	41.8	(7.8)	42.0	(8.3)	(4.6)
Dividends to minority shareholder in subsidiary company	(2.1)	(2.1)	(1.7)	(1.7)	(1.6)
Cash flow from financing activities	39.7	(9.6)	40.8	(10.0)	(6.1)
Investment activities					
Acquisition of businesses (note 1)	(2.1)	(36.1)	1.6	(27.3)	—
Purchase of property, plant and equipment	(40.2)	(25.7)	(68.6)	(37.6)	(34.9)
Cash flow from investment activities	(42.3)	(61.8)	(67.0)	(64.9)	(34.9)
Unrealized foreign currency translation gain/(loss) on net current assets of foreign subsidiaries	0.8	(0.7)	(2.5)	7.7	(7.6)
Cash flow before dividends	32.0	(9.5)	22.6	(37.4)	(10.6)
Dividends paid on preferred and common shares	(9.6)	(9.6)	(9.6)	(9.6)	(9.6)
Cash flow attributable to continuing operations	22.4	(19.1)	13.0	(47.0)	(20.2)
Cash flow attributable to discontinued operations	(3.7)	(1.9)	3.2	0.6	1.2
Cash flow of the year	18.7	(21.0)	16.2	(46.4)	(19.0)
Funds (cash and short-term investments less bank advances)					
Beginning of year	(0.1)	20.9	4.7	51.1	70.1
End of year	$ 18.6	$ (0.1)	$ 20.9	$ 4.7	$ 51.1

Significant accounting policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect the policies set out below.

Basis of consolidation

The consolidated financial statements of the Company include the financial statements of all subsidiaries. The operating results of operations disposed of or discontinued and gains and losses on disposal or discontinuance are segregated and stated separately in the consolidated statements of earnings.

Foreign currency translation

The financial statements of the Company's foreign subsidiaries, all of which are considered self-sustaining, are translated into Canadian dollars as follows:

- assets and liabilities — at the rates of exchange in effect at the balance sheet date.
- revenue and expense items — at the average rates of exchange for the year.

Unrealized exchange gains and losses arising on the translation of the financial statements of foreign subsidiaries are deferred and taken to the currency translation account in the shareholders' equity section of the consolidated balance sheets.

Transactions of the Company and its Canadian subsidiary, denominated in foreign currencies, are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of earnings of the year except for unrealized exchange gains and losses on long-term debt which are deferred and amortized over the remaining terms of related obligations. Other exchange gains and losses, including amortization of such amounts relating to long-term debt, are included in the consolidated statement of earnings of the year.

Short-term investments

Short-term investments are recorded at the lower of cost and market value.

Inventories

Inventories are valued at the lower of cost and net realizable value less progress payments.

Property, plant and equipment

Property, plant and equipment, including expenditures which improve or prolong the useful lives of such assets, is stated at cost. Property, plant and equipment obtained through acquisitions is stated at its fair value at the date of acquisition.

Depreciation is computed on a straight-line basis at rates based on the estimated useful lives of the assets. Estimated useful lives generally are forty years for buildings, twenty to thirty years for railway rolling stock and thirteen years for machinery and equipment. Leasehold improvements are amortized over the terms of the leases.

Maintenance and repair costs of a routine nature are expensed as incurred.

Goodwill

Goodwill is amortized on a straight-line basis over its estimated life or forty years, whichever is less. Any goodwill remaining at the time of disposal or discontinuance of the operation to which it relates is written off in the year of disposal or discontinuance.

Other intangible assets

Other intangible assets are amortized on a straight-line basis over their estimated lives or twenty years, whichever is less. Intangible assets remaining at the time of disposal or discontinuance of the operation to which they relate are written off in the year of disposal or discontinuance.

Revenue recognition

Sales are recorded at the time the product is shipped or the service performed. On major contracts, sales and earnings are recognized on a percentage of completion basis. Provision is made for losses in the year in which they are first foreseen.

Pension costs and obligations

Pension costs are calculated, prorated on service, using the accrued benefit method of actuarial valuation with projected earnings where appropriate.

Pension plans are actuarially valued at least every three years. Adjustments arising on valuation are taken to earnings over the expected average remaining service life of the relevant employee group.

Income taxes

The deferral method is used in accounting for income taxes. Timing differences giving rise to deferred income taxes relate primarily to:

- depreciation and amortization — where the amounts claimed for income tax purposes differ from the amounts written off for accounting purposes.
- other items — where amounts included in the earnings statement differ from amounts recognized for income tax purposes.

Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

Notes to the consolidated financial statements

1. Acquisitions

On December 1, 1992 the Company, through a new wholly-owned United States subsidiary, Consolidated Sawmill Machinery International Inc. ("CSMI"), acquired certain of the assets and assumed certain of the liabilities of the sawmill equipment manufacturing businesses of Harvey, Inc. and Harvey Industries, Inc. with their principal place of business in Hot Springs, Arkansas. The consideration, payable in cash at various dates in 1992 and 1993, was estimated to be $30.3 million (U.S.$23.8 million).

The acquisition was accounted for by the purchase method. The estimated total consideration of $36.1 million, including provision of $5.8 million for acquisition costs and the costs of integrating CSMI and the Company's Kockums CanCar sawmill equipment manufacturing businesses in Canada and the United States, was allocated at December 31, 1992, based on the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition, as follows:

	($ millions)
Accounts receivable	$ 4.8
Inventories	3.2
Land and buildings	2.2
Plant and equipment	3.6
Intellectual property and other intangible assets	17.9
	31.7
Goodwill	9.3
Accounts payable and accrued liabilities, and advances on sales contracts	(4.9)
	$36.1

Since December 31, 1992 the actual amounts of the purchase price instalments due in 1993 have been determined, through arbitration and by agreement with Harvey, Inc. and Harvey Industries, Inc., and the total purchase price has been increased by an amount of $2.1 million, including related costs. This amount has been reflected in 1993 as an additional element in the cost of the acquisition, and allocated to goodwill.

On January 4, 1990 the Company acquired the businesses and net assets of Windsor Aerospace Division and Middleton Aerospace Corporation, acquired together, for a cash consideration of approximately $25.7 million. Windsor Aerospace Division manufactures precision gears and other components for the aerospace and other industries and Middleton Aerospace Corporation manufactures engine components for the aerospace industry.

The acquisition was accounted for by the purchase method and the consideration of $25.7 million was allocated, based on the fair values of the assets acquired and liabilities assumed at the date of acquisition, as follows:

	($ millions)
Current assets	$11.6
Fixed assets	14.0
Goodwill	0.6
Other intangible assets	1.7
Current liabilities	(2.2)
	$25.7

2. Research and development costs

Research and development costs incurred and expensed in 1993 amounted to $3.8 million (1992 — $4.4 million; 1991 — $4.5 million; 1990 — $4.7 million; 1989 — $3.4 million).

3. Depreciation of property, plant and equipment

The Company revised the rates of depreciation applied to certain property, plant and equipment other than CGTX Inc.'s railway rolling stock leasing fleet, on a prospective basis, as of January 1, 1992, in order to more closely reflect the estimated remaining useful lives of such property, plant and equipment as at that date and the estimated useful lives of property, plant and equipment acquired after that date.

The effect of the revision of rates was to reduce depreciation for the year ended December 31, 1992 by $2.2 million to $18.5 million.

4. Interest expense

	1993	1992	1991	1990	1989
			($ millions)		
Interest on long-term debt	$10.2	$ 9.1	$ 7.1	$ 5.6	$ 6.1
Other net interest income	(0.4)	(1.1)	(1.4)	(2.5)	(5.3)
	$ 9.8	$ 8.0	$ 5.7	$ 3.1	$ 0.8

Other net interest income in 1992 and prior years included interest on advances to an affiliated company, at commercial rates of interest, as follows: 1992 — $0.4 million; 1991 — $0.6 million; 1990 — $0.6 million; and 1989 — $0.5 million. These advances were repayable on demand.

5. Income taxes

	1993	1992	1991	1990	1989
			($ millions)		
Current income taxes	$ 6.6	$ 9.1	$ 7.4	$ 7.4	$ 9.7
Deferred income taxes	5.9	5.4	3.2	5.3	4.1
	$12.5	$14.5	$10.6	$12.7	$13.8

The provision for income taxes was made up as follows:

	1993	1992	1991	1990	1989
			($ millions)		
Provision at statutory rates of income tax	$13.0	$15.1	$11.7	$16.0	$15.6
Effect of manufacturing and processing tax credits	(0.3)	(0.6)	(0.3)	(0.4)	(0.2)
Effect of taxation relief from previous years	—	—	(0.8)	(2.3)	(1.1)
Other adjustments	(0.2)	—	—	(0.6)	(0.5)
	$12.5	$14.5	$10.6	$12.7	$13.8

Accumulated income tax losses of U.S. subsidiary companies as at December 31, 1993 amounted to U.S.$24.9 million (December 31, 1992 — U.S.$26.6 million). These income tax losses are available to reduce future taxable income of U.S. subsidiary companies. The income tax losses expire at various dates during the period from 1997 to 2008. The amount of loss relief which may be applied against taxable income in any one year, for losses incurred prior to 1992, is subject to restriction as a result of the change in the ultimate control of the Company which took place during 1991.

Accumulated expenses of U.S. subsidiary companies charged against income but which had not yet become deductible for income tax purposes at December 31, 1993 amounted to approximately U.S.$4.6 million (December 31, 1992 — U.S.$2.8 million).

The potential tax benefits of approximately U.S.$10.0 million, at 1993 income tax rates, relating to the above income tax losses and expenses have not been recognized in the consolidated financial statements.

6. Discontinued operations

During the five-year period under review, the Company decided to discontinue the operations of three business segments, as follows:

- On November 19, 1993 it was decided to discontinue the operations of Canadian Steel Wheel Division, which manufactured wrought steel wheels for railway passenger and freight cars and locomotives, and industrial wheels, by winding down operations during the first quarter of 1994 and by liquidating the net assets of the division.
- On November 19, 1993 it was also decided to discontinue the operations of Windsor Aerospace Division, which manufactured precision gears and other components for the aerospace and other industries, by selling the business and assets of the division, or by winding down operations during the first half of 1994 and by liquidating the net assets of the division.
- On December 31, 1989 it was decided to discontinue the railway castings business which was a segment of Canadian Steel Foundries Division, by winding down operations during 1990 and by liquidating the net assets of the segment.

The operating results and discontinuance costs of these business segments were as follows:

	1993	1992	1991	1990	1989
			($ millions)		
Sales	$ 26.8	$31.1	$30.2	$35.2	$56.1
Operating profit/(loss)	(3.7)	(0.3)	(0.7)	—	0.3
Discontinuance costs	(20.9)	—	—	—	(9.8)
	(24.6)	(0.3)	(0.7)	—	(9.5)
Income tax relief	9.1	0.1	0.3	—	2.0
	$(15.5)	$(0.2)	$(0.4)	$—	$(7.5)

The 1989 sales of $56.1 million and the discontinuance costs of $9.8 million include $17.3 million and $2.0 million respectively relating to operations discontinued in prior years and the 1989 income tax relief of $2.0 million is after providing $1.0 million for additional income tax liabilities in respect of those operations.

The remaining net assets of discontinued operations at December 31, 1993 amounted to $3.8 million (December 31, 1992 — $24.9 million) and were as follows:

	1993	1992
	($ millions)	
Current assets	$ 15.1	$ 17.7
Property, plant and equipment	10.7	11.1
Current liabilities	(22.0)	(3.9)
	$ 3.8	$ 24.9

The current liabilities of $22.0 million at December 31, 1993 include $20.1 million in respect of the remaining balance of the provision for discontinuance costs.

7. Property, plant and equipment

	1993		1992	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	($ millions)			
Land and land improvements	$ 6.7	$ 1.5	$ 7.4	$ 1.6
Buildings	39.9	27.9	49.1	30.8
Railway rolling stock leasing fleet	419.2	140.8	393.8	128.8
Other plant and equipment	126.9	76.9	119.0	75.7
	$592.7	$247.1	$569.3	$236.9

8. Goodwill

	1993	1992
	($ millions)	
Balance — beginning of year	$ 9.9	$ 0.6
Additions during year (note 1)	2.1	9.3
Write-off on discontinuance	(0.2)	—
Amortization	(0.7)	(0.1)
Exchange and other adjustments	1.0	0.1
Balance — end of year	$12.1	$ 9.9

The estimated useful life over which goodwill is being amortized is generally twenty years.

9. Other intangible assets

Other intangible assets principally comprise the values of intellectual property and covenants not to compete arising from acquisitions.

	1993	1992
	($ millions)	
Balance — beginning of year	$18.6	$ 1.0
Additions during year (note 1)	—	17.9
Amortization	(5.8)	(0.4)
Exchange adjustment	0.6	0.1
Balance — end of year	$13.4	$18.6

The estimated useful lives over which other intangible assets are being amortized range from one to ten years. The total cost and accumulated amortization to date of other intangible assets are $20.6 million and $7.2 million (1992 — $19.8 million and $1.2 million) respectively.

10. Deferred pension asset

The Company maintains defined benefit plans which provide retirement benefits for essentially all employees, based upon the length of service and, in certain cases, the final average earnings of the employee.

The estimated actuarial present value of accrued pension benefits at December 31, 1993 was $106 million (December 31, 1992 — $96 million) and the average market value of pension fund assets was $178 million (December 31, 1992 — $159 million).

The deferred pension asset of $15.6 million at December 31, 1993 (December 31, 1992 — $13.5 million) represents the amount by which the actuarial value of pension plan surpluses recognized by the Company in income and payments by the Company to pension funds exceed cumulative pension costs.

11. Long-term debt

	1993	1992
	($ millions)	
First mortgage sinking fund equipment notes		
Notes due from 1994 to 2000 at 10.25% (U.S.$1.75 million; 1992 — U.S.$2.0 million)	$ 2.1	$ 2.3
Notes due from 1994 to 1999 at from 9.125% to 11.125%	9.6	12.2
First mortgage equipment notes		
Notes due in 1993 at 11.0%	—	15.0
Notes due in 1994 at 10.3%	20.0	20.0
Notes due in 1996 at 10.55%	30.0	30.0
Notes due in 1998 at 7.6%	30.0	—
Notes due in 2003 at 8.35%	30.0	—
Total long-term debt	121.7	79.5
less:		
Portion due within one year	22.6	17.8
	$ 99.1	$ 61.7

Repayment of long-term debt over the next five years is as follows: 1994 — $22.6 million; 1995 — $2.3 million; 1996 — $31.8 million; 1997 — $1.8 million; and 1998 — $31.8 million.

All the long-term debt relates to CGTX Inc., the Company's 55%-owned railway rolling stock leasing subsidiary, and is secured on railway rolling stock of CGTX Inc. with a net book value at December 31, 1993 of $195.4 million (December 31, 1992 — $128.7 million).

12. Capital stock

The authorized share capital of the Company is as follows:

140,000 5¾% cumulative redeemable preferred shares of $100 each.
An unlimited number of preferred shares junior to the 5¾% cumulative redeemable preferred shares.
An unlimited number of common shares.

The issued and fully-paid share capital of the Company is as follows:

	1993	1992
	($ millions)	
140,000 5¾% cumulative redeemable preferred shares of $100 each	$14.0	$14.0
8,199,601 common shares (1992 — 8,199,601 common shares)	55.3	55.3
	$69.3	$69.3

58,500 5¾% cumulative redeemable preferred shares (41.8% of the Company's outstanding 5¾% cumulative redeemable preferred shares and 4,816,646 common shares (58.7% of the Company's outstanding common shares — note 16) are beneficially owned by BTR plc, London, England.

The 5¾% cumulative redeemable preferred shares are redeemable at the option of the Company at $105 per share.

At December 31, 1993, stock options to senior executives and a former senior executive of the Company were outstanding in respect of 69,050 common shares (1992 — 67,050 common shares). These options are exercisable by the holders at from $22.00 to $24.00 per share and expire at various dates during the next five years. During the year, no options were exercised (1992 — 15,300 common shares were exercised for a total consideration of $300,000).

The weighted average number of common shares outstanding during the year was 8,199,601 (1992 — 8,197,608).

13. Currency translation account

	1993	1992
	($ millions)	
Balance — beginning of year	$(2.2)	$(1.5)
Adjustments of the year	2.4	(0.7)
Balance — end of year	$ 0.2	$(2.2)

14. Related party transactions

There have been no material transactions between the Company and related parties, other than the advances to an affiliated company referred to in note 4.

15. Reclassification of figures

Comparative figures have been reclassified where appropriate to reflect figures relating to discontinued operations in conformity with the presentation of the year ended December 31, 1993.

16. Subsequent event

On February 7, 1994 it was announced that BTR plc had agreed with a syndicate of underwriters to sell for $121.6 million ($25.25 per share) the 4,816,646 common shares of the Company (note 12), which are held by HSC Hawker Canada Ltd., a wholly-owned indirect subsidiary of BTR plc. The sale would be by way of a private placement of special warrants exchangeable into the common shares of HSC Hawker Canada Ltd. on a one-for-one basis following receipts being obtained from provincial securities commissions in Canada for a prospectus qualifying the common shares of HSC Hawker Canada Ltd. for sale to the public and following satisfaction of certain other conditions.

Subject to the prior approval of the Company's shareholders and the satisfaction of other conditions, it is anticipated that the Company and HSC Hawker Canada Ltd. would amalgamate and continue as one company under the name "Hawker Siddeley Canada Inc.".

At the time of the amalgamation, HSC Hawker Canada Ltd. would have no assets other than the 4,816,646 common shares of the Company and, if the amalgamation were to occur before April 15, 1994, a quarterly dividend on these shares, declared on February 7, 1994, and receivable on April 15, 1994. At the time of the amalgamation, HSC Hawker Canada Ltd. would have no liabilities other than, if the amalgamation were to occur before April 15, 1994, a dividend payable in an amount equal to the amount of the dividend to be received on April 15, 1994, which would be paid by HSC Hawker Canada Ltd. on April 15, 1994 to the persons who would become its shareholders immediately following the exercise of the special warrants and prior to the amalgamation. Accordingly, the amalgamation would not affect the financial position of the Company.

The amalgamation would require approval by two-thirds of the votes cast by holders of the common shares and of the 5¾% cumulative redeemable preferred shares of the Company, present in person or represented by proxy, voting together, at a special meeting of shareholders to be held on March 28, 1994.

On the amalgamation, holders of common shares of Hawker Siddeley Canada Inc. (other than HSC Hawker Canada Ltd.) would receive common shares of the amalgamated company on a share for share basis and holders of the 4,816,646 common shares of HSC Hawker Canada Ltd. would receive common shares of the amalgamated company on a share for share basis and the 4,816,646 common shares of Hawker Siddeley Canada Inc. held by HSC Hawker Canada Ltd. would be cancelled. Holders of 5¾% cumulative redeemable preferred shares of Hawker Siddeley Canada Inc. would receive 5¾% cumulative redeemable preferred shares of the amalgamated company, with the same terms and conditions.

17. Segmented information for the five years ended December 31, 1993

By industry segment

	Total sales					External sales				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989
	($ millions)					($ millions)				
Transportation and industrial products	$166.2	$182.6	$179.9	$161.0	$106.9	$166.2	$182.6	$179.9	$161.0	$106.9
Resource industry equipment	185.5	156.3	181.2	217.1	226.0	185.5	156.3	181.2	217.1	226.0
	$351.7	$338.9	$361.1	$378.1	$332.9	$351.7	$338.9	$361.1	$378.1	$332.9

	Operating profit/(loss)					Depreciation and amortization				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989
	($ millions)					($ millions)				
Transportation and industrial products	$ 32.8	$ 46.1	$ 42.6	$ 38.9	$ 26.2	$ 17.9	$ 16.9	$ 15.5	$ 15.0	$ 12.2
Resource industry equipment	7.7	(0.3)	(8.6)	6.0	15.2	8.2	1.9	3.0	3.0	2.3
	$ 40.5	$ 45.8	$ 34.0	$ 44.9	$ 41.4	$ 26.1	$ 18.8	$ 18.5	$ 18.0	$ 14.5

	Capital expenditure					Identifiable assets				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989
	($ millions)					($ millions)				
Transportation and industrial products	$ 34.3	$ 22.8	$ 65.3	$ 34.1	$ 29.7	$358.3	$344.6	$349.8	$294.8	$250.2
Resource industry equipment	6.0	2.7	3.2	3.4	4.8	136.6	129.5	108.1	111.6	111.4
	$ 40.3	$ 25.5	$ 68.5	$ 37.5	$ 34.5	$494.9	$474.1	$457.9	$406.4	$361.6

By geographic segment

	Total sales					External sales				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989
	($ millions)					($ millions)				
Canada	$166.8	$188.5	$177.8	$186.6	$153.7	$161.2	$179.1	$172.8	$176.5	$137.7
United States	97.1	44.4	46.3	52.3	42.6	90.1	43.9	46.0	51.7	41.8
United Kingdom	102.0	117.8	145.9	153.2	153.6	100.4	115.9	142.3	149.9	153.4
	$365.9	$350.7	$370.0	$392.1	$349.9	$351.7	$338.9	$361.1	$378.1	$332.9

	Operating profit/(loss)					Depreciation and amortization				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989
	($ millions)					($ millions)				
Canada	$ 33.8	$ 42.9	$ 33.4	$ 37.6	$ 25.8	$ 17.1	$ 16.3	$ 15.0	$ 14.3	$ 13.1
United States	(0.5)	(1.2)	2.5	3.2	2.4	7.9	1.5	1.8	1.9	0.3
United Kingdom	7.2	4.1	(1.9)	4.1	13.2	1.1	1.0	1.7	1.8	1.1
	$ 40.5	$ 45.8	$ 34.0	$ 44.9	$ 41.4	$ 26.1	$ 18.8	$ 18.5	$ 18.0	$ 14.5

	Capital expenditure					Identifiable assets				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989
	($ millions)					($ millions)				
Canada	$ 33.5	$ 23.0	$ 65.8	$ 34.4	$ 30.8	$352.9	$345.0	$347.3	$290.8	$273.0
United States	6.0	0.4	1.0	0.6	0.1	82.1	67.2	27.4	31.0	12.1
United Kingdom	0.8	2.1	1.7	2.4	3.6	59.9	61.9	83.2	84.6	76.5
	$ 40.3	$ 25.5	$ 68.5	$ 37.4	$ 34.5	$494.9	$474.1	$457.9	$406.4	$361.6

- Transportation and industrial product external sales relating to leasing operations were as follows: 1993 — $71.6 million; 1992 — $66.6 million; 1991 — $59.9 million; 1990 — $56.4 million; and 1989 — $52.1 million.

- The segmented information reflects the following components:

Transportation and industrial products	Components and repair and overhaul of jet engines and industrial gas turbines; steel castings for hydro and industrial markets and leasing and repair of railcars.
Resource industry equipment	Sawmill equipment for the forest products industry; mining equipment for the coal and soft-rock mining industries; contract mining services; and other products and services for mining and civil engineering.

- There are no inter-industry segment sales. Inter-geographic segment sales, reflected in total geographic sales, are as follows:

	1993	1992	1991	1990	1989
	($ millions)				
Canada	$ 5.6	$ 9.4	$ 5.0	$10.1	$16.0
United States	7.0	0.5	0.3	0.6	0.8
United Kingdom	1.6	1.9	3.6	3.3	0.2
	$14.2	$11.8	$ 8.9	$14.0	$17.0

Inter-segment sales are accounted for at prices comparable to open market prices.

- Canadian export sales, primarily to customers in the United States, were as follows: 1993 — $28.4 million; 1992 — $41.4 million; 1991 — $38.3 million; 1990 — $21.7 million; and 1989 — $17.9 million.

- Segmented operating profit reconciles with net earnings/(loss) as follows:

	1993	1992	1991	1990	1989
			($ millions)		
Segment operating profit	$ 40.5	$ 45.8	$ 34.0	$ 44.9	$ 41.4
Other net income	3.2	3.8	3.8	4.4	3.3
Corporate expenses	(3.3)	(5.9)	(4.7)	(4.9)	(4.5)
Operating profit	40.4	43.7	33.1	44.4	40.2
Interest expense	9.8	8.0	5.7	3.1	0.8
Earnings before income taxes	30.6	35.7	27.4	41.3	39.4
Income taxes	12.5	14.5	10.6	12.7	13.8
Earnings before minority shareholder's interest	18.1	21.2	16.8	28.6	25.6
Minority shareholder's interest	5.8	5.6	5.1	4.9	4.4
Earnings from continuing operations	12.3	15.6	11.7	23.7	21.2
Discontinued operations	(15.5)	(0.2)	(0.4)	—	(7.5)
Net earnings/(loss)	$ (3.2)	$ 15.4	$ 11.3	$ 23.7	$ 13.7

- Identifiable assets reconcile with total assets as follows:

	1993	1992	1991	1990	1989
			($ millions)		
Identifiable assets	$494.9	$474.1	$457.9	$406.4	$361.6
Assets of discontinued operations	25.7	30.1	30.1	33.3	45.3
Corporate assets	32.5	28.5	41.5	29.3	45.3
	$553.1	$532.7	$529.5	$469.0	$452.2

APPENDIX "C"

CANADA BUSINESS CORPORATIONS ACT — SECTION 190

190. (1) **Right to dissent.** — Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate with another corporation, otherwise than under section 184;

(d) be continued under the laws of another jurisdiction under section 188; or

(e) sell, lease or exchange all or substantially all its property under subsection 189(3).

(2) **Further right.** — A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) **Payment for shares.** — In addition to any other right he may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which he dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) **No partial dissent.** — A dissenting shareholder may only claim under this section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) **Objection.** — A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of his right to dissent.

(6) **Notice of resolution.** — The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection.

(7) **Demand for payment.** — A dissenting shareholder shall, within twenty days after he receives a notice under subsection (6) or, if he does not receive such notice, within twenty days after he learns that the resolution has been adopted, send to the corporation a written notice containing

(a) his name and address;

(b) the number and class of shares in respect of which he dissents; and

(c) a demand for payment of the fair value of such shares.

(8) **Share certificate.** — A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which he dissents to the corporation or its transfer agent.

(9) **Forfeiture.** — A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) **Endorsing certificate.** — A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) **Suspension of rights.** — On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under this section except where

(a) the dissenting shareholder withdraws his notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the dissenting shareholder withdraws his notice, or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case his rights as a shareholder are reinstated as of the date he sent the notice referred to in subsection (7).

(12) **Offer to pay.** — A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for his shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) **Same terms.** — Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) **Payment.** — Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) **Corporation may apply to court.** — Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) **Shareholder application to court.** — If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) **Venue.** — An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) **No security for costs.** — A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) **Parties.** — On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel.

(20) **Powers of court.** — On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) **Appraisers.** — A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) **Final order.** — The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

(23) **Interest.** — A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) **Notice that subsection (26) applies.** — If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) **Effect where subsection (26) applies.** — If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw his notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) **Limitation.** — A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

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