

RITCHIE BROS AUCTIONEERS INC

Form 6-K

March 15, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**Form 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934
Date of Report: March 14, 2007**

Commission File Number: 001-13425
Ritchie Bros. Auctioneers Incorporated
6500 River Road
Richmond, BC, Canada
V6X 4G5
(604) 273 7564
(Address of principal executive offices)

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F
Form 20-F Form 40-F

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101(b)(1):

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101(b)(7):

indicate by check mark whether by furnishing information contained in this Form, the registrant is also thereby
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934
Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____

This Form 6-K incorporates the Notice of Annual and Special Meeting of Shareholders, Information Circular and Form of Proxy distributed to the Company's shareholders of record as of March 2, 2007. The Information Circular was provided to shareholders in connection with the Company's annual meeting to be held on April 13, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Ritchie Bros. Auctioneers Incorporated

(Registrant)

Date: March 14, 2007

By: */s/ Robert S. Armstrong*

Robert S. Armstrong,

Corporate Secretary

RITCHIE BROS. AUCTIONEERS INCORPORATED
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that an Annual and Special Meeting (the Meeting) of the shareholders of RITCHIE BROS. AUCTIONEERS INCORPORATED (the Company) will be held at the Vancouver Airport Marriott Hotel, 7571 Westminster Highway, Richmond, B.C., Canada, V6X 1A3, on Friday, April 13, 2007 at 11:00 a.m. (Vancouver time), for the following purposes:

- (1) to receive the financial statements of the Company for the financial year ended December 31, 2006 and the report of the Auditors thereon;
- (2) to elect the directors of the Company to hold office until their successors are elected at the next annual meeting of the Company;
- (3) to appoint the Auditors of the Company to hold office until the next annual meeting of the Company and to authorize the directors to fix the remuneration to be paid to the Auditors;
- (4) to consider and, if deemed advisable, to pass an ordinary resolution approving amendments to the Company's Stock Option Plan, the full text of which resolution is set out in Schedule A in the accompanying Information Circular;
- (5) to consider and, if deemed advisable, to pass an ordinary resolution approving the adoption of a Shareholder Rights Plan in accordance with a Shareholder Rights Plan Agreement dated as of February 22, 2007 between the Company and Computershare Investor Services Inc., the full text of which resolution is set out in Schedule B in the accompanying Information Circular; and
- (6) to transact such other business as may properly be brought before the Meeting.

Further information regarding the matters to be considered at the Meeting is set out in the accompanying Information Circular.

The directors of the Company have fixed the close of business on March 2, 2007 as the record date for determining shareholders entitled to receive notice of and to vote at the Meeting. Only registered shareholders of the Company as of March 2, 2007 will be entitled to vote, in person or by proxy, at the Meeting.

Shareholders are requested to date, sign and return the accompanying form of proxy for use at the Meeting whether or not they are able to attend personally. To be effective, forms of proxy must be received by Computershare Trust Company of Canada, Attention Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof.

All non-registered shareholders who receive these materials through a broker or other intermediary should complete and return the materials in accordance with the instructions provided to them by such broker or intermediary.

DATED at Vancouver, British Columbia, as of this 14th day of March, 2007.

By Order of the Board of Directors

Robert S. Armstrong
Corporate Secretary

RITCHIE BROS. AUCTIONEERS INCORPORATED
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
INFORMATION CIRCULAR

Unless otherwise provided, the information herein is given as of February 21, 2007.

Solicitation of Proxies

This Information Circular is being furnished to the shareholders of the Company in connection with the solicitation of proxies for use at the Annual and Special Meeting to be held on April 13, 2007 (the Meeting) by management of the Company. The solicitation will be primarily by mail, however, proxies may also be solicited personally or by telephone by the directors, officers or employees of the Company. The Company may also pay brokers or other persons holding common shares of the Company (the Common Shares) in their own names or in the names of nominees for their reasonable expenses of sending proxies and proxy materials to beneficial shareholders for the purposes of obtaining their proxies. The costs of this solicitation are being borne by the Company.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

Number of Directors and Election of Directors

Under the Articles of Amalgamation of the Company, the number of directors of the Company is set at a minimum of three (3) and a maximum of ten (10) and the directors are authorized to determine the actual number of directors within that range to be elected from time to time. The Company currently has seven (7) directors. Each director of the Company is elected annually and holds office until the next Annual Meeting of the Company unless he or she sooner ceases to hold office. The Board of the Company has determined that the number of directors to be elected at the Meeting shall be seven (7). The Company intends to nominate each of the persons listed below for election as a director of the Company. The persons proposed for nomination are, in the opinion of the Board and management, well qualified to act as directors for the ensuing year. The persons named in the enclosed form of proxy intend to vote for the election of such nominees.

Name and Municipality of Residence	Position with the Company	Principal Occupation or Employment ⁽¹⁾	Previous Service as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed⁽¹⁾⁽²⁾
Charles Edward Croft Vancouver, B.C., Canada	Chairman of the Board and a Director ⁽³⁾ ; Chair of Compensation Committee Member of Nominating and Corporate Governance Committee;	President and Director, Falcon Pacific Financial Corp. (private investment company) and its subsidiaries ⁽⁴⁾	Director since June 17, 1998	17,200 ⁽⁵⁾
Peter James Blake Vancouver, B.C., Canada	Chief Executive Officer and a Director	Chief Executive Officer of the Company	Director since December 12, 1997	67,281
Clifford Russell Cmolik Surrey, B.C., Canada	Director; Member of Compensation Committee	Businessman ⁽⁶⁾	Director since December 12, 1997	2,685,822 ⁽⁷⁾

Edgar Filing: RITCHIE BROS AUCTIONEERS INC - Form 6-K

Eric Patel Vancouver, B.C., Canada	Director; Chair of Nominating and Corporate Governance Committee Member of Audit Committee	Business Consultant	Director since April 14, 2004	2,850
Beverley Anne Briscoe Vancouver, B.C., Canada	Director; Chair of Audit Committee ⁽⁸⁾ Member of Nominating and Corporate Governance Committee	Owner and Principal, Briscoe Management Ltd. ⁽⁹⁾	Director since October 29, 2004	2,500

Name and Municipality of Residence	Position with the Company	Principal Occupation or Employment ⁽¹⁾	Previous Service as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed ⁽¹⁾⁽²⁾
Robert Waugh Murdoch Salt Spring Island, B.C., Canada	Director; Member of Compensation Committee	Businessman ⁽¹⁰⁾	Director since February 20, 2006	990
Edward Baltazar Pitoniak West Vancouver, B.C., Canada	Director; Member of Audit Committee ⁽¹¹⁾	President & Chief Executive Officer and Trustee, Canadian Hotel Income Properties Real Estate Investment Trust ⁽¹²⁾	Director since July 28, 2006	65

(1) This information has been provided by the respective nominee as of February 21, 2007.

(2) The number of Common Shares held includes Common Shares beneficially owned, directly or indirectly (other than stock options), or over which control or direction is exercised by the proposed nominee. See the table below for disclosure of

stock option
information.

- (3) Mr. Croft became Chairman of the Board of Directors effective November 30, 2006 upon the retirement from that position and the Board of David E. Ritchie, who had been Chairman and a Director since December 12, 1997. Mr. Croft previously held the position of Vice-Chairman of the Board. Mr. Ritchie was appointed to the honorary position of Chairman Emeritus upon his retirement.
- (4) Mr. Croft was a director of a Canadian private company that entered into a Plan of Arrangement under the Companies Creditors Arrangement Act in 2004, immediately following his resignation as a director thereof. The company subsequently

emerged from protection in 2004.

- (5) 15,000 of such shares are held by Falcon Pacific Financial Corp., a company controlled by Mr. Croft.
- (6) Mr. Cmolik was the President and Chief Operating Officer of the Company until his retirement in July 2002. The Board has determined that Mr. Cmolik is an independent director.
- (7) 1,960,568 of such shares are held by C.R.C. Auctions Ltd. and 720,436 of such shares are held by Cmolik Enterprises Ltd., both of which are controlled by Mr. Cmolik. Mr. Cmolik holds the remaining 4,818 shares personally.
- (8) Ms. Briscoe was appointed Chair of the Audit Committee effective April 13, 2006, and replaced G.

Edward Moul,
the former Chair
who retired
from the Board
effective
April 13, 2006.

- (9) Ms. Briscoe is also a director of Goldcorp Inc., Spectra Energy Income Fund, BC Railway Company, and Westminster Savings Credit Union. In addition, Ms. Briscoe is Chair of the B.C. Government's Industry Training Authority.
- (10) Mr. Murdoch is a member of the international advisory board of Lafarge S.A., as well as a director of Lallemand Inc. and Timberwest Forest Corp.
- (11) Mr. Pitoniak was appointed to the Company's Board effective July 28, 2006. Mr. Pitoniak was also appointed to the Audit Committee effective July 28, 2006,

and replaced
Mr. Cmolik on
that committee.
Mr. Cmolik had
been appointed
to the Audit
Committee
effective
April 13, 2006,
upon the
retirement of
Mr. Moul (see
note 8 above).

(12) Mr. Pitoniak is
the President &
Chief Executive
Officer and a
Trustee of
Canadian Hotel
Income
Properties Real
Estate
Investment
Trust, a public
company, a
position he has
held since 2004.
Prior to that he
was a Senior
Vice-President
with Intrawest
Corporation
(1996 to 2004)
and held senior
editorial and
advertising
positions at SKI
Magazine, part
of Times Mirror
Magazines.
Mr. Pitoniak
holds a
Bachelor of Arts
degree from
Amherst
College.

In addition to the information presented above regarding Common Shares beneficially owned, controlled or directed, the directors of the Company held the stock options set out in the following table as of the date of this Information Circular. All of the options granted to and held by non-employee directors vested at the grant date and have an expiry date ten years from the date of grant. The options granted to Mr. Blake, the CEO of the Company,

Edgar Filing: RITCHIE BROS AUCTIONEERS INC - Form 6-K

vested one year from the grant date and have the expiry date of ten years, subject to early termination, applicable to officer and employee options, as set out in the relevant option agreement.

Nominee	Grant Date	Expiry Date	Number of Options Granted	Exercise Price (U.S.\$)	Total Exercised	Total Unexercised
Peter Blake	Jan. 24, 2006	Jan. 24, 2016	24,000	\$44.09		24,000
	Jan. 25, 2005	Jan. 25, 2015	20,800	\$32.41		20,800
	Feb. 13, 2004	Feb. 13, 2014	22,400	\$26.46		22,400
	Jan. 30, 2003	Jan. 30, 2013	30,000	\$15.53	15,400	14,600
			97,200		15,400	81,800
Russell Cmolik	Feb. 13, 2004	Feb. 13, 2014	8,000	\$26.46		8,000
	Jan. 30, 2003	Jan. 30, 2013	8,000	\$15.53		8,000
			16,000			16,000
Charles Croft	Feb. 13, 2004	Feb. 13, 2014	8,000	\$26.46		8,000
	Jan. 30, 2003	Jan. 30, 2013	8,000	\$15.53		8,000
	Feb. 11, 2002	Feb. 11, 2012	6,000	\$13.05		6,000
	Jan. 31, 2001	Jan. 31, 2011	6,000	\$11.68		6,000
	Feb. 1, 2000	Feb. 1, 2010	6,000	\$13.35		6,000
	Feb. 21, 1999	Feb. 21, 2009	7,000	\$13.44		7,000
			41,000			41,000

The Company is not aware that any of the above nominees will be unable or unwilling to serve as a director of the Company; however, should the Company become aware of such an occurrence before the election of directors takes place at the Meeting, if one of the persons named in the enclosed form of proxy is appointed as proxyholder, it is intended that the discretionary power granted under such proxy will be used to vote for any substitute nominee or nominees whom the Board, in its discretion, may select.

Charles E. Croft served as the Lead Director of the Board from the date of Company's Annual Meeting in 2006 until his appointment to the position of Chairman effective November 30, 2006. Because Mr. Croft is an independent director, the Company's Board has not appointed another Lead Director. However, any shareholder wishing to contact Mr. Croft may do so by phoning 604-233-6153 or by sending an email to LeadDirector@rbauktion.com.

Additional disclosure relating to the Company's audit committee as required under Multilateral Instrument 52-110 is contained in the Company's Annual Information Form under the heading "Audit Committee Information". The Annual Information Form of the Company has been filed on SEDAR and is available on their website at www.sedar.com. A copy of the Company's Annual Information Form may also be obtained by making a request to the Corporate Secretary of the Company.

Board and Committee Attendance

The following tables present information about Board of Directors and Committee meetings and attendance by directors at such meetings for the year ended December 31, 2006. The overall 2006 attendance record by directors at Board and Committee meetings was 92%.

Board and Committee Meetings Held

	Number of Meetings
Board of Directors	10
Audit Committee	13
Compensation Committee	2
Nominating and Corporate Governance Committee	5

Summary of Attendance of Directors

Director	Board Meetings	Committee Meetings
Charles Croft	10 of 10	7 of 7
Peter Blake	10 of 10	N/A
C. Russell Cmolik	9 of 10	6 of 7
Eric Patel	10 of 10	18 of 18
Beverley Briscoe	10 of 10	18 of 18
Robert Murdoch ⁽¹⁾	6 of 8	2 of 2
Edward Pitoniak ⁽²⁾	4 of 5	5 of 6
David Ritchie ⁽³⁾	5 of 10	N/A

(1) Mr. Murdoch was appointed to the Board on April 13, 2006.

(2) Mr. Pitoniak was appointed to the Board on July 28, 2006.

- (3) Mr. Ritchie
retired from the
Board effective
November 30,
2006.

Compensation of Directors

In addition to the reimbursement of reasonable travel and lodging expenses, non-employee directors of the Company received the following compensation in 2006:

Description of Fee	Amount of Fee
Annual fee for Board Chairman	U.S.\$100,000 ⁽¹⁾
Annual fee for Board Membership	U.S.\$ 60,000 ⁽¹⁾
Annual additional fee for Board Vice-Chairman	U.S.\$ 50,000
Annual fee for Committee chairmanship (excluding Audit Committee)	U.S.\$ 10,000
Annual fee for Audit Committee chairmanship	U.S.\$ 15,000
Meeting fee (per minuted meeting in excess of two hours)	U.S.\$ 1,000

- (1) Each director is required to use U.S.\$25,000 of the annual fee to purchase Common Shares through the NYSE or the TSX in compliance with the Company's Policy Regarding Securities Trades by Personnel.

The total fees paid by the Company to the Board in 2006 were U.S.\$619,714. Employee directors do not receive additional compensation for their participation in Board or committee activities. Compensation by director for the year ended December 31, 2006 was as follows (all amounts in U.S. dollars):

Director	Board Fees	Committee Fees	Meeting Fees
Charles Croft	\$ 110,000	\$ 10,000	\$ 15,000
Peter Blake	Nil	Nil	Nil
C. Russell Cmolik	60,000	Nil	13,000
Eric Patel	60,000	10,000	18,000
Beverley Briscoe	60,000	10,714	16,000
Robert Murdoch	51,500	Nil	6,000
Edward Pitoniak	30,000	Nil	7,000
David Ritchie	137,500	Nil	5,000
Total	\$ 509,000	\$ 30,714	\$ 80,000

At their meeting on February 20, 2007, the Board approved certain revisions to the compensation plan for directors for 2007. The annual fee for the Board Chairman will be increased to U.S.\$150,000 per year, retroactive to November 30, 2006. In addition, directors who travel more than four hours to attend a board or committee meeting will receive an additional U.S.\$1,000.

There were no other arrangements under which non-employee directors were compensated during 2006. No non-employee directors earned any compensation during 2006 for consultancy or other services provided to the Company. No options were granted to non-employee directors in 2006.

Appointment of Auditors

The Company proposes that KPMG LLP, Chartered Accountants of Vancouver, British Columbia, be appointed as Auditors of the Company for the year ending December 31, 2007 and that the Audit Committee be authorized to fix their remuneration. KPMG LLP has been the Auditors of the Company and its predecessors since 1974. The Audit Committee is satisfied that KPMG LLP meets the relevant independence requirements and is free from conflicts of interest that could impair their objectivity in conducting the Company's audit. The resolution appointing auditors must be passed by a majority of the votes cast by the shareholders who vote in respect of that resolution.

In addition to retaining KPMG LLP to audit the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2006, the Company retained KPMG LLP to provide various non-audit services in 2006. The Audit Committee is required to pre-approve all non-audit related services performed by KPMG LLP. The aggregate fees billed for professional services by KPMG LLP and its affiliates during fiscal 2006 and 2005 were as follows:

	Fiscal 2006	Fiscal 2005
Audit Fees	\$ 1,143,000	\$ 627,000
Audit-Related Fees	248,000	105,000
Tax Fees	575,000	745,000
All Other Fees		
Total Fees	\$ 1,966,000	\$ 1,477,000

The nature of each category of fees is as follows:

Audit Fees:

Audit fees were paid for professional services rendered by the auditors for the audit and interim reviews of the Company's consolidated financial statements or services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees:

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the Audit Fees item above.

Tax Fees:

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of original and amended tax returns; assistance with questions regarding tax audits; assistance in completing routine tax schedules and calculations; and tax planning and advisory services relating to common forms of domestic and international taxation (i.e., income tax, capital tax, Goods and Services Tax and Value Added Tax).

The Audit Committee is responsible for the appointment, compensation and oversight of the work of the Company's independent auditor and is required to pre-approve all non-audit related services performed by KPMG LLP. Accordingly, the Audit Committee has adopted a pre-approval policy. The policy outlines the procedures and the conditions pursuant to which permissible services proposed to be performed by KPMG LLP are pre-approved, provides a general pre-approval for certain permissible services and outlines a list of prohibited services.

Amendments to the Stock Option Plan

At the Meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving amendments to the Company's Stock Option Plan.

The Company has a stock option plan (the Plan), adopted as of July 30, 1997 and approved by the then shareholders of the Company under which the Compensation Committee is authorized, at its discretion, to grant options to purchase Common Shares to directors, officers, employees, and consultants of the Company or its subsidiaries. The Plan has a term of 10 years from the date of adoption. The purpose of the Plan is to promote the interests of the Company by providing eligible persons with additional incentive, encouraging stock ownership and increasing the proprietary interest of eligible persons in the success of the Company and assisting the Company in attracting, retaining and motivating its directors, officers and employees. The Plan was amended in 2006 by the Compensation Committee pursuant to the power under the Plan to allow for on-line exercise of options. For a description of the current Plan, see Securities Authorized for Issuance Under Equity Compensation Plans on page 19.

The Plan specifies that the maximum number of Common Shares which may be reserved for issuance under the Plan may not exceed 3,000,000 Common Shares (being 9% of total issued and outstanding shares) (taking into account the two-for-one stock split of the Common Shares that occurred on May 4, 2004), of which 1,286,468 Common Shares have been issued, 793,648 Common Shares are reserved for issuance upon exercise of options that have been granted (2% of total issued and outstanding shares) and 919,884 Common Shares (3% of total issued and outstanding shares) remain available for future options to be granted.

The Company wishes to amend and restate the Plan (the Amended Plan) in order to extend the term of the Plan, to ensure that the Plan is up-to-date and continues to serve its original purpose and to ensure that it conforms with regulatory requirements. The main amendments reflected in the Amended Plan include, without limitation, the following:

- (a) the number of Common Shares that may be issued from and after the effective date of the Amended Plan pursuant to options granted under the Amended Plan has been increased to 3,400,000. This new maximum number will cover Common Shares to be issued upon exercise of all existing issued and outstanding options as well as all future options to be granted under the Amended Plan;
- (b) the term of an option which expires during a Black Out Period will be automatically extended and will expire on the fifth business day following the end of such restricted period;
- (c) the maximum percentages of Common Shares (in relation to the number of outstanding and issued Common Shares) available to insiders are outlined;

- (d) a cap is placed on the percentage of Common Shares issued and reserved for issuance to non-employee directors of the Company upon exercise of options;
- (e) the CEO is authorized to grant up to a certain number of options to employees other than to directors and officers;
- (f) the provisions dealing with the manner of adjustment of options in the event of certain corporate actions (such as a subdivision or consolidation of Common Shares, a distribution to shareholders, a fundamental change such as a reorganization, amalgamation or arrangement or a proposed change of control) have been amended and updated; and
- (g) the provisions dealing with amendments have been revised to describe those amendments that may be made by the Compensation Committee and those that may only be made with shareholder approval.

At a meeting held on February 20, 2007, the Board unanimously approved the various amendments (the Plan Amendments) to the Plan. These changes are described in greater detail below.

Pursuant to the Plan Amendments it is proposed that the maximum aggregate number of Common Shares issuable under the Amended Plan from and after the date of the Meeting will be 3,400,000 Common Shares, representing approximately 10% of the currently issued and outstanding Common Shares on a fully diluted basis (or 10% on a non-diluted basis), including the 793,648 Common Shares reserved for issuance pursuant to options outstanding and unexercised as at February 21, 2007. As a result, 2,606,352 Common Shares will be available for future grants after giving effect to the Plan Amendments. This reflects a partial replenishment of the Common Shares available for issuance under the Plan, with the new maximum number (covering issuances upon the exercise of existing outstanding options and future options to be granted under the Amended Plan) being fixed at 3,400,000 Common Shares.

Pursuant to the Amended Plan, the Company will continue to grant options to purchase Common Shares to selected employees. The Board considers that stock options are an important element of the Company's compensation structure. The Board believes that the increased maximum number is desirable in order to permit the Company to continue to accomplish the purposes of the Amended Plan and to provide for future grants of options. Options may be granted by the Compensation Committee; however, under the Amended Plan, the CEO is also authorized to grant a limited number of options pursuant to the delegation of option-granting power under a Company policy. See Equity-based Compensation Awards Grant Policy on page 19.

Under a recently adopted policy, the Company has determined not to grant equity awards to non-employee directors until determined otherwise, and under the Amended Plan, the maximum number of Common Shares issued and reserved for issuance to non-employee directors of the Company upon exercise of options must not exceed 1% of the issued and outstanding Common Shares. The number of Common Shares issuable to Insiders under the Amended Plan, when combined with the Company's other security-based compensation arrangements, within any one-year period cannot exceed 10% of the issued and outstanding Common Shares and the number of Common Shares issuable to Insiders at any time cannot exceed 10% of the issued and outstanding Common Shares. This amendment brings the Amended Plan in line with TSX requirements with respect to eligibility of insiders to vote their securities in respect of security holder approval required for security based compensation arrangements. In addition, the definition of Insider has been revised in the Amended Plan to reflect updates in securities legislation.

The Amended Plan has also been revised to take into account the Company's policy with respect to making grants only during specific trading windows. If the expiry date of an option falls during a Black Out Period, the expiry date will be extended to the fifth business day following the expiry of such period.

Options will vest in accordance with the provisions of the Option Agreement in respect of the specific option. The exercise price will generally be determined by reference to the closing market price of the Common Shares on the NYSE on the date of grant.

Under the Amended Plan, each option will expire on the date determined by the Compensation Committee and specified in the applicable Option Agreement, as provided in the Amended Plan. Generally, the form of Option Agreement to be used in conjunction with the Amended Plan provides that an optionee may exercise his or her options prior to the date stated in the Option Agreement (generally ten years from the date of grant) subject to the following:

- (a) in the event that the optionee retires or resigns his or her office of employment (unless terminated as set out below under paragraph (c)) or the optionee's contract as consultant is terminated at the end of its term, the option will expire 30 days after the Termination Date (as defined in the form of Option Agreement to be used in conjunction with the Amended Plan);
- (b) in the event that the optionee's employment with the Company is terminated without cause or where a consultant's contract is terminated other than due to expiry of its term or for cause (unless terminated as set out below under paragraph (c)), the option will expire 30 days after the Termination Date;
- (c) in the event that the optionee ceases to be an Eligible Person under the Amended Plan as a result of his or her termination for cause or as a result of the termination of his or her contract as a consultant for cause, the option will expire immediately; and
- (d) in the event of the death of the optionee, the option will expire on the date which is 180 days after the date of death of the optionee.

The extension of an early expiry date coinciding with a Black Out Period applies in the event of early termination of the optionee except in the event of a termination for cause under paragraph (c) above.

Options granted under the Amended Plan are not transferable or assignable and may be exercised only by the optionee or, in the event of the death of the optionee or the appointment of a committee or duly appointed attorney of the optionee or of the estate of the optionee on the grounds that the optionee is incapable, by reason of physical or mental infirmity, of managing its affairs, by the optionee's legal representative or such committee or attorney, as the case may be.

The Amended Plan includes customary anti-dilution provisions (for example, in the event of a subdivision or consolidation of Common Shares) for the benefit of optionees. In addition, if there is a change of control (which includes an acquisition of more than 50% of the Company's then issued and outstanding shares, an amalgamation, arrangement or business combination or a sale of all or substantially all of the property of the Company), the Compensation Committee may, in its sole discretion, determine the manner in which all unexercised options granted under the Amended Plan will be treated. For example, the Compensation Committee may elect to accelerate the vesting of any or all outstanding options immediately prior to completion of a change of control, subject to applicable regulatory approval, and may determine that outstanding options are to be purchased by the Company or the new control person for a price determined based on the consideration paid in the applicable transaction.

The Compensation Committee will have the rights to suspend, amend or terminate the Amended Plan without approval of optionees or shareholders (provided that no such suspension, amendment or termination will materially prejudice the rights of any optionee under any previously granted option without the consent or deemed consent of such optionee), including, without limitation:

- (a) to avoid any additional tax on optionees under Section 409A of the United States Internal Revenue Code or other applicable tax legislation;
- (b) changing the eligibility for and limitations on participation in the Amended Plan (other than participation by non-employee directors in the Amended Plan);
- (c) making any addition to, deletion from or alteration of the provisions of the Amended Plan that are necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
- (d)

making any amendment of a typographical, grammatical, administrative or clerical nature, or clarification correcting or rectifying any ambiguity, defective provision, error or omission in the Amended Plan; and

7

- (e) changing the provisions relating to the administration of the Amended Plan or the manner of exercise of the options, including:
 - i. changing or adding any form of financial assistance provided by the Company to the participants that would facilitate purchase of Common Shares under the Amended Plan; and
 - ii. adding provisions relating to a cashless exercise (which will provide for a full deduction of the underlying Common Shares from the maximum number reserved under the Amended Plan for issuance).

Notwithstanding the foregoing powers of amendment accorded the Compensation Committee, none of the following amendments to the Amended Plan may be made without shareholder approval:

- (a) any increase in the maximum number of Common Shares that may be issued pursuant to the exercise of options granted under the Amended Plan;
 - (b) any reduction in exercise price or cancellation and reissue of options;
 - (c) any amendment that extends the term of an option beyond the original expiry date;
 - (d) if at any time, the Amended Plan is further amended to exclude participation by non-employee directors, any amendment to Eligible Participants that may permit the introduction or reintroduction of non-employee directors on a discretionary basis;
 - (e) any amendment that increases limits previously imposed on non-employee director participation;
 - (f) any amendment which would permit equity based awards granted under the Amended Plan to be transferable or assignable other than for normal estate settlement purposes;
 - (g) any amendment to increase the maximum limit of the number of securities that may be:
 - (i) issued to insiders of the Company within any one year period; or
 - (ii) issuable to insiders of the Company at any time;
- under the Amended Plan, or when combined with all of the Company's other security based compensation arrangements, which could exceed 10% of the total issued and outstanding Common Shares of the Company, respectively;
- (h) adding provisions relating to a cashless exercise (other than a surrender of options for cash) which does not provide for a full deduction of the underlying Common Shares from the maximum number reserved under the Amended Plan, for issuance; and
 - (i) any amendment to the amending provisions of the Amended Plan.

Section 422 of the United States Internal Revenue Code, as amended, and the regulations thereunder, require that in order for options to qualify for the United States income tax treatment applicable to incentive stock options, they must be awarded under a plan approved by the shareholders that specifically includes the maximum aggregate number of shares that may be issued under incentive stock options. By including the fixed maximum number of 3,400,000, the Company has complied with this requirement. The Amended Plan also contains other provisions that allow for the grant of incentive stock options and nonqualified stock options as defined under the U.S. Internal Revenue Code.

The Amended Plan also includes other housekeeping and clerical amendments, such as the updating of statutory references and insertion of certain defined terms, for consistency of language and correctness.

To date, no options have been granted under the Amended Plan and no options will be granted under the Amended Plan prior to approval of the Amended Plan by shareholders.

The Plan Amendments are reflected in the Amended Plan. A copy of the Amended Plan will be tabled at the Meeting, and will be provided to any shareholder upon request from the Corporate Secretary of the Company at 6500 River Road, Richmond, British Columbia, V6X 4G5, telephone (604) 273-7564, prior to the day of the Meeting.

Under the requirements of the Toronto Stock Exchange, the Plan Amendments and the Amended Plan must be approved by the shareholders of the Company. Consequently, at the Meeting shareholders will be asked to consider and, if deemed appropriate, pass an ordinary resolution ratifying and approving the Plan Amendments and approving the Amended Plan. The text of the proposed resolution is set out in Schedule A. This resolution must be passed by a simple majority of the votes cast by shareholders entitled to vote in person or by proxy at the Meeting. It is intended that all proxies received by the Company will be voted in favour of the Plan Amendments and the Amended Plan, unless a proxy contains express instructions to vote against the Plan Amendments and the Amended Plan. The Board of the Company recommends that shareholders vote in favour of amending the Plan.

Adoption of Shareholder Rights Plan

Effective February 22, 2007, the Board of Directors of the Company adopted a shareholder rights plan agreement, with Computershare Investor Services Inc. as rights agent (the Rights Plan). The Rights Plan has the following main objectives:

to provide the Board time to consider value-enhancing alternatives to a take-over bid and to allow competing bids to emerge;

to ensure that shareholders of the Company are provided equal treatment under a take-over bid; and

to give adequate time for shareholders to properly assess a take-over bid without undue pressure.

At the Meeting, shareholders will be asked to consider, and if thought fit, to pass an ordinary resolution to approve the adoption of the Rights Plan, a copy of which is available upon request from the Corporate Secretary of the Company at 6500 River Road, Richmond, British Columbia, V6X 4G5, telephone (604) 273-7564, or from the Company's public disclosure documents found on SEDAR at www.sedar.com or on the U.S. Securities and Exchange Commission (SEC) EDGAR database at www.sec.gov.

The Board has considered the terms of a number of recently adopted or amended shareholder rights plans and the experience of other Canadian public companies in the context of an actual take-over bid where a shareholder rights agreement was in place, and has determined that it is in the best interests of the Company to adopt the Rights Plan. The Rights Plan is designed to maximize shareholder value and protect shareholders' interests in the event of an acquisition that may result in a change of control. The Rights Plan is not intended to prevent take-over bids that treat shareholders fairly, and the Rights Plan has not been adopted in response to any proposal to acquire control of the Company.

Summary of the Principal Terms of the Rights Plan

The following is a summary of key terms of the Rights Plan. **This summary is qualified in its entirety by reference to the full text of the Rights Plan, which is available upon request from the Corporate Secretary of the Company as indicated above or from the Company's public disclosure documents found on SEDAR at www.sedar.com or on the SEC's EDGAR database at www.sec.gov. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Rights Plan.**

Issue of Rights

On February 22, 2007, the Company issued one right (a Right) in respect of each Common Share outstanding at the close of business on that date (the Record Time). The Company will issue Rights in respect of each Common Share issued after the Record Time but prior to the earliest of the Separation Time (as defined below) and the redemption of the Rights pursuant to the Rights Plan or termination of the Rights Plan as described below.

Rights Certificates, Trading and Transferability

Before the Separation Time, the Rights will be evidenced by the certificates representing Common Shares and will not be transferable separate from the Common Shares. Accordingly, the surrender for transfer of any certificate representing Common Shares will also constitute the surrender for transfer of the Rights associated with such Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights certificates.

Acquiring Person

An Acquiring Person is a person that Beneficially Owns 20% or more of the outstanding Common Shares. An Acquiring Person does not, however, include the Company or any Subsidiary of the Company, or any person that becomes the Beneficial Owner of 20% or more of the Common Shares as a result of certain exempt transactions. These exempt transactions include where any person becomes the Beneficial Owner of 20% or more of the Common Shares as a result of, among other things: (i) specified acquisitions of securities of the Company, (ii) acquisitions pursuant to a Permitted Bid or Competing Permitted Bid (as described below), (iii) specified distributions of securities of the Company, and (iv) certain other specified exempt acquisitions. An Acquiring Person also does not include any Person that owned 20% or more of the outstanding Common Shares at the Record Time unless that person increases its percentage interest in the Common Shares other than pursuant to one of the previously mentioned transactions.

Separation Time

Rights are not exercisable before the Separation Time. Separation Time means the close of business on the tenth trading day after the earliest of:

- (a) the first date of public announcement that a person has become an Acquiring Person, as defined below (the Stock Acquisition Date);
- (b) the date of the commencement of, or first public announcement of, the intent of any person (other than the Company or any of its subsidiaries) to commence a Take-over Bid, as defined in the Rights Plan (other than a Permitted Bid or a Competing Permitted Bid, as defined below), which is generally an offer for outstanding Common Shares that could result in the offeror becoming the beneficial owner of 20% or more of the Company s outstanding Common Shares; and
- (c) the date on which a Permitted Bid or Competing Permitted Bid ceases to be such; or such later time as may be determined by the Board, in good faith, provided that if any bid referred to above expires or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such offer shall be deemed never to have been made.

Exercising Rights at such time until the tenth trading day after the first public announcement of the occurrence of a Flip-in Event will entitle the holder to purchase one Common Share at the exercise price (the Exercise Price), which shall equal three times the market price per Common Share determined at the Separation Time, subject to subsequent adjustment in accordance with the Rights Plan.

Exercise of Rights

After the close of business on the tenth trading day after the first public announcement of the occurrence of a Flip-in Event , which is a transaction or event pursuant to which any person becomes an Acquiring Person, each Right will entitle the holder thereof to receive upon exercise of the Right that number of Common Shares equal to twice the Exercise Price. However, any Rights beneficially held by an Acquiring Person, including its affiliates, associates and joint actors, or the transferee of any such person, will become null and void. Accordingly, such persons will be unable to transfer or exercise any Rights.

Until a Right is exercised, the holder of the Right will have no rights as a Company shareholder solely with respect to that Right.

In lieu of the issuance of fractional shares upon the issuance of any Rights, the Company will make cash payments based on the market price of such shares in amounts exceeding U.S.\$10.00.

Acquisitions that require shareholder approval or for which the Board has waived application of the Rights Plan as described below, or acquisitions pursuant to a Permitted Bid or a Competing Permitted Bid are among the transactions that do not constitute Flip-in Events .

Permitted Bids

Under the Rights Plan, those bids that meet certain requirements intended to protect the interests of all shareholders are deemed to be Permitted Bids . Permitted Bids are offers to acquire Common Shares made by way of a take-over circular and where the Common Shares subject to the offer (together with shares owned by the offeror and its affiliates, associates and joint actors) constitute 20% or more of the outstanding Common Shares, and which also comply with the following conditions:

- (a) the bid is made to all registered holders of Common Shares (other than Common Shares owned by the offeror);
- (b) the bid provides that no Common Shares will be taken up or paid for pursuant to the bid before the close of business on the date that is not less than 60 days following the date the take-over bid circular is sent to holders of Common Shares, and that no Common Shares will be taken up or paid for unless at such date more than 50% of the outstanding Common Shares held by shareholders other than the offeror and certain related parties have been deposited pursuant to the bid and not withdrawn;
- (c) the bid provides that any Common Shares may be deposited to and withdrawn from the take-over bid at any time before such Common Shares are taken up and paid for; and
- (d) the bid provides that, in the event that more than 50% of the outstanding Common Shares are deposited and not withdrawn as described in clause (b) above, the offeror will make a public announcement of that fact and the bid shall remain open for an additiona