



Hammond Power
Solutions Inc.

Hammond Power Solutions Inc.

Notice of Meeting

Proxy Statement

&

Management Information Circular

for the

Annual Meeting of Shareholders

Thursday, May 18, 2006

HAMMOND POWER SOLUTIONS INC.

ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual Meeting of Shareholders of **Hammond Power Solutions Inc.** (hereinafter called the "Corporation") will be held at **The Hilton Toronto**, 145 Richmond Street West, 2nd Floor, Governor General Suite, Toronto, Ontario, on **May 18, 2006**, at the hour of **4:30 o'clock in the afternoon (local time)** for the following purposes:

1. to receive the Annual Report and the financial statements for the period ending December 31, 2005, together with the report of the auditors thereon;
2. to elect Directors;
3. to appoint KPMG LLP, Chartered Accountants, as auditors and to authorize the Directors to fix their remuneration;
4. to transact all such further and other business as may properly come before the meeting or any adjournment thereof;

Accompanying this notice is a Management Information Circular, a form of Proxy and a copy of the Annual Report of the Corporation.

Shareholders who are unable or who are not expecting to be present in person at the meeting are requested to date, complete, sign and return to the address indicated, the form of proxy wherein persons selected by your Directors are named as proxy holders. **HOWEVER, IF ANY SHAREHOLDER CHOOSES TO APPOINT A PERSON OR PERSONS OTHER THAN THE ONES SO NAMED, THE NAME OF SUCH PERSON, WHO NEED NOT BE A SHAREHOLDER, SHOULD BE INSERTED IN THE BLANK SPACE PROVIDED FOR THIS PURPOSE AND THE OTHER NAMES STRICKEN.**

Please indicate on the form of proxy how you want your vote recorded with respect to each of the items noted thereon by inserting an "X" in the appropriate box. **UNLESS OTHERWISE INDICATED, YOUR SHARES WILL BE VOTED IN FAVOUR OF SUCH ITEMS.**

Dated at Guelph, Ontario, this 27th day of March, 2006.

By order of the Board of Directors of the Corporation.

Chris R. Huether
Vice President Finance and Secretary

HAMMOND POWER SOLUTIONS INC.
MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED TO THE SHAREHOLDERS OF HAMMOND POWER SOLUTIONS INC. (HEREINAFTER CALLED THE "CORPORATION") IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF THE CORPORATION FOR USE AT THE ANNUAL MEETING OF THE SHAREHOLDERS OF THE CORPORATION (THE "SHAREHOLDERS") REFERRED TO IN THE NOTICE OF MEETING ACCOMPANYING THIS INFORMATION CIRCULAR TO BE HELD ON THE 18TH DAY OF MAY, 2006 AT THE PLACE AND TIME AND FOR THE PURPOSES SET FORTH IN THE AFOREMENTIONED NOTICE AND AT ANY AND ALL ADJOURNMENTS THEREOF (THE "ANNUAL MEETING"). It is expected that the solicitation of proxies by management of the Corporation will be primarily by mail. Proxies may also be solicited personally by regular employees, officers and directors of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are members of the management of the Corporation. **A SHAREHOLDER MAY APPOINT A PROXY HOLDER OTHER THAN THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY TO ATTEND AND ACT ON BEHALF OF THE SHAREHOLDERS AT THE ANNUAL MEETING.** A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON OR COMPANY TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH PERSON'S OR COMPANY'S NAME IN THE BLANK SPACE PROVIDED IN THE ACCOMPANYING FORM OF PROXY AND STRIKING OUT THE NAMES OF THE PERSONS SPECIFIED OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY IN ACCORDANCE WITH THE INSTRUCTIONS PRINTED ON THE ACCOMPANYING FORM OF PROXY.

A Shareholder who has given a proxy may revoke it either (a) by signing or having an authorized attorney sign a proxy bearing a later date and delivering it in accordance with the printed instructions aforementioned, or (b) by signing or having an authorized attorney sign a written notice of revocation and by delivering it to the Corporation or an agent thereof prior to the commencement of the Annual Meeting or as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by handing it to the Chairman of the Annual Meeting.

A person named as a proxy need not be a Shareholder to vote the shares to be voted by the form of proxy in which he or she is named. THE NOTES PRINTED ON THE FORM OF PROXY ACCOMPANYING THE NOTICE OF ANNUAL MEETING SHOULD BE READ CAREFULLY AND THE INSTRUCTIONS SET OUT THEREIN FOLLOWED

EXERCISE OF DISCRETION BY PROXIES

If the enclosed form of proxy is properly completed and returned, the person named in the proxy will vote or withhold from voting the shares represented by the proxy in accordance with the instructions of the Shareholder appointing him or her as indicated on the form of proxy or as otherwise instructed in writing on any ballot or vote that may be called for, and, if the Shareholder specifies a choice, such choice will be voted accordingly. WHERE NO CHOICE IS INDICATED ON THE FORM OF PROXY, NOR CONTRARY WRITTEN INSTRUCTIONS RECEIVED, AN AFFIRMATIVE VOTE WILL BE CAST IN RESPECT OF MATTERS PROPERLY BEFORE THE ANNUAL MEETING.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters set out in the form of proxy and on all other matters which may properly come before the Annual Meeting. As of the date hereof, the management of the Corporation knows of no such amendment or variation nor of any matter to come before the said Annual Meeting other than the matters referred to in the Notice of Annual Meeting.

Non-Registered Shareholders

Only registered shareholders or duly appointed proxy holders are permitted to vote at the Annual Meeting. Many shareholders of the Corporation are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. A person is not a registered shareholder (a "Non-Registered Holder") in respect of shares which are held either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESP's and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited), of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this Information Circular and the Proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them.

Intermediaries will frequently use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder and must be completed, but not signed, by the Non-Registered Holder and deposited with Computershare Trust Company of Canada; or

Non-Registered Shareholders (cont'd)

- (b) more typically, be given a voting instruction form (often called a "proxy authorization form") which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the common shares of the Corporation which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Annual Meeting in person, the Non-Registered Holder should insert the Non-Registered Holder's name in the blank space provided. **Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Presentation of the Financial Statements and the Auditor's Report Thereon

The audited consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 2005 and the report of the auditor thereon will be presented by management. These are contained in full in the Annual Report of the Corporation, copies of which have been mailed to shareholders of the Corporation with this Management Information Circular.

2. Election of Directors

Currently, there are five directors of the Corporation who are elected annually. Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for the election of a Board of Directors comprising the nominees whose names are set forth below. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as director but, if that should occur for any reason prior to the Annual Meeting, the person named in the enclosed form of proxy reserves the right to vote for another nominee in his discretion. Subject to the above comments, each director elected will hold office until the next annual meeting of the Corporation and until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the by-laws.

The following table and notes thereto state the names of all the persons proposed to be nominated by management of the Corporation for election as directors, their place of residence, their principal occupations or employment and the date on which each became a director of the Corporation. The table also sets out the number of shares of the Corporation or of any subsidiary of the Corporation beneficially owned, directly or indirectly, or controlled or directed by each of them as at the date hereof.

Election of Directors (cont'd)

Name, Place of Residence and Principal Occupation	Director Since	Number of shares owned or controlled, directly or indirectly
WILLIAM G. HAMMOND Guelph, Ontario Chairman and Chief Executive Officer of the Corporation	January 2001	Class A 989,765 (Note 1) Class B 2,778,300
ZOLTAN D. SIMO Toronto, Ontario Company Director	January 2001	Class A 67,600
DONALD H. MACADAM Port Dover, Ontario Chief Executive Officer, MBVax Bioscience Inc.	May 2001	Class A 59,400
DOUGLAS V. BALDWIN Gormley, Ontario President, AMPCon Inc.	March 2004	Class A 42,800
F. AL RAFTIS Guelph, Ontario President of the Corporation Hammond Power Solutions Inc.	May 2001	Class A 117,700

All Directors have held the same positions for the last 5 years with the exception of Douglas V. Baldwin, who was the former President and CEO of Electro-Federation Canada, and Donald H. MacAdam, who was the former President of A360 Inc.

Note 1: William G. Hammond owns directly or indirectly 241,655 Class A Subordinate Voting Shares. In addition, William G. Hammond beneficially owns all the shares of Arathorn Investments Inc., which owns 748,110 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares of the Corporation.

The information as to shares of the Corporation beneficially owned by the directors, not being within the knowledge of the Corporation, has been provided by the respective directors.

Audit Committee

The Audit Committee is comprised of the three independent directors, Donald H. MacAdam, Zoltan D. Simo and Douglas V. Baldwin.

Compensation Committee

The Compensation Committee is comprised of the three independent directors, Donald H. MacAdam, Zoltan D. Simo and Douglas V. Baldwin (See – Report on Executive Compensation).

Corporate Governance Committee

All directors are members of the Corporate Governance Committee. The Corporation does not have an Executive Committee of its Board of Directors.

3. Appointment of Auditors

Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for re-appointment of KPMG LLP, Chartered Accountants, Waterloo, Ontario, as auditors of the Corporation (first appointed in 2001) to hold office until the next Annual Meeting of the Corporation and to authorize the directors to fix their remuneration.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

No person, who has been a director or executive officer of the Corporation during the past financial year of the Corporation and no person who is a proposed nominee for election as a director of the Corporation or any associate or affiliate of such director, executive officer or proposed nominee, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at the Annual Meeting.

VOTING SHARES

The Corporation has authorized capital of an unlimited number of Class A Subordinate Voting Shares and an unlimited number of Class B Common Shares, each without par value. As at the date hereof there were issued and outstanding 8,657,000 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares. The holders of record of the Class A Subordinate Voting Shares and the Class B Common Shares on March 31, 2006, are entitled to receive notice of and to vote at the Annual Meeting and at any adjournment thereof. A transferee of Class A Subordinate Voting Shares or Class B Common Shares acquired after such record date will be entitled to vote such shares at the Annual Meeting or any adjournment thereof if such transferee produces properly endorsed certificates for such shares, or otherwise establishes that he or she owns such shares, and demands, at least ten business days before the Annual Meeting, to be included on the list of shareholders entitled to vote at the Annual Meeting. The failure of any shareholder to receive notice of the Annual Meeting shall not deprive such shareholders of voting at the Annual Meeting. Each Class A Subordinate Voting Share carries the right to one vote representing approximately 43.8% of the aggregate voting rights of the Corporation. Each Class B Common Share carries the right to four votes. Each such shareholder is entitled to vote at the Annual Meeting, except to the extent that he or she has transferred ownership of such shares after the record date.

In the event of a "take-over-bid" (as defined in the *Securities Act* (Ontario)) being made for the Class A Subordinate Voting Shares or the Class B Common Shares which results in either the W. G. Hammond Family (defined below) or any Acceptable Successor (defined below) ceasing to beneficially own, directly or indirectly, shares of the Corporation carrying not less than 50% of the votes attaching to all issued shares of the Corporation, each Class A Subordinate Voting Share shall be deemed to have been converted into one Class B Common Share.

VOTING SHARES (cont'd)

"W. G. Hammond Family" means any one or more of William G. Hammond, his spouse, estate, issue or heirs, any trustee, executor, administrator or personal representative of his estate, or any corporation which any one or more of the foregoing together control within the meaning of the *Securities Act* (Ontario); and

"Acceptable Successor" means any person or persons acting jointly or in concert who beneficially own, directly or indirectly, such number of Class A Subordinate Voting Shares, Class B Common Shares or any other class or series of shares of the Corporation to which are attached not less than 50% of the votes attaching to all issued shares of the Corporation, provided that all such Class B Common Shares so owned by such person or persons which have been acquired from the Corporation, the W. G. Hammond Family or another Acceptable Successor have been acquired,

- (i) at a price or for consideration of a value not exceeding the then current price (as defined in the articles of the Corporation) of the Class A Subordinate Voting Shares on a published market (as defined in the articles), plus 15%; or
- (ii) in a transaction or series of transactions including the making of a general offer for Class A Subordinate Voting Shares (A) at a price or for consideration of a value not less than the price or value, and on terms not less favourable than terms, applying to the purchase of the Class B Common Shares, on a share for share basis, and (B) comprising the lesser of all the Class A Subordinate Voting Shares or that number of Class A Subordinate Voting Shares equal to the number of Class B Common Shares acquired multiplied by four.

As at the date hereof, Arathorn Investments Inc., beneficially owns 2,778,300 Class B Shares of the Corporation, representing 100% of the issued and outstanding Class B Common Shares of the Corporation and 748,110 Class A Subordinate Voting Shares of the Corporation, representing approximately 8.6% of the issued and outstanding Class A Subordinate Voting Shares of the Corporation. All of the issued and outstanding shares of Arathorn Investments Inc. are owned by William G. Hammond, CEO & Chairman of the Corporation. In total, William G. Hammond beneficially owns, directly or indirectly, 989,765 Class A Subordinate Voting shares of the Corporation, representing approximately 11.4% of the issued and outstanding Class A Subordinate Voting shares of the Corporation.

To the best of the knowledge of the directors and senior officers of the Corporation, the foregoing are all the persons or companies beneficially owning, directly or indirectly, or exercising control or direction over more than 10% of the voting rights attached to all issued and outstanding shares of the Corporation.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of compensation earned by the Chairman and Chief Executive Officer, President and the Vice-President, Finance & Corporate Secretary of the Corporation (the "Named Executive Officers").

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities under Options / SARs granted #	Restricted Share or Restricted Share Units	LTIP Payouts (\$)	
W.G. Hammond Chairman & CEO	2005	246,101	59,732	-	30,000	-	-	note 2 7,270
	2004	238,929	-	-	-	-	-	7,221
	2003	221,071	-	-	-	-	-	7,137
F.A. Raftis President	2005	181,668	54,591	-	30,000	-	-	8,827
	2004	218,366	-	-	-	-	-	9,106
	2003	188,255	-	-	-	-	-	8,380
C.R. Huether CFO & Secretary	2005	139,655	33,362	-	30,000	-	-	6,823
	2004	133,448	-	-	-	-	-	7,016
	2003	131,663	-	-	-	-	-	6,461

Note 1:

The value of perquisites and other personal benefits for each of the Named Executive Officers did not exceed the lesser of \$50,000 and 10% of their total annual salary and bonus.

Note 2:

Amounts disclosed under "All other Compensation" include payments made by the Corporation pursuant to its defined contribution pension plan and for life insurance premiums.

Management Stock Option Plan

In May 2005, the Corporation established a "Stock Option Plan" providing for the granting to directors, officers, key employees and consultants, all of whom are selected by the Board of Directors, options to purchase up to 800,000 Class A Subordinate Voting Shares of the Corporation. As at the date hereof, the number of shares remaining available for issuance was 800,000 Class A Subordinate Voting Shares. No options have been exercised since the inception of the plan. Options granted and outstanding as at March 15, 2006 are as follows:

Optionees	Number of Shares Under Option	% of Total Options/SAR's granted to employees in financial year	Exercise Price per Share	Market Value of Securities underlying Options/SARs on Date of Grant (\$/Security)	Expiry Date
W. G. Hammond Chairman & CEO	30,000	13%	\$1.93	\$1.93	July 22, 2012
F. Al Raftis President	30,000	13%	\$1.93	\$1.93	July 22, 2012
Chris R. Huether Secretary & CFO	30,000	13%	\$1.93	\$1.93	July 22, 2012

Aggregate Options Exercised during the Financial Year and Financial Year-end Option Values

Name	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options at December 31, 2005	Value of Unexercised "in the money" Options at December 31, 2005
			Exercisable	Exercisable
W.G. Hammond	Nil	Nil	30,000	\$14,100
F.A. Raftis	Nil	Nil	30,000	\$14,100
C.R. Huether	Nil	Nil	30,000	\$14,100

Employment Arrangement

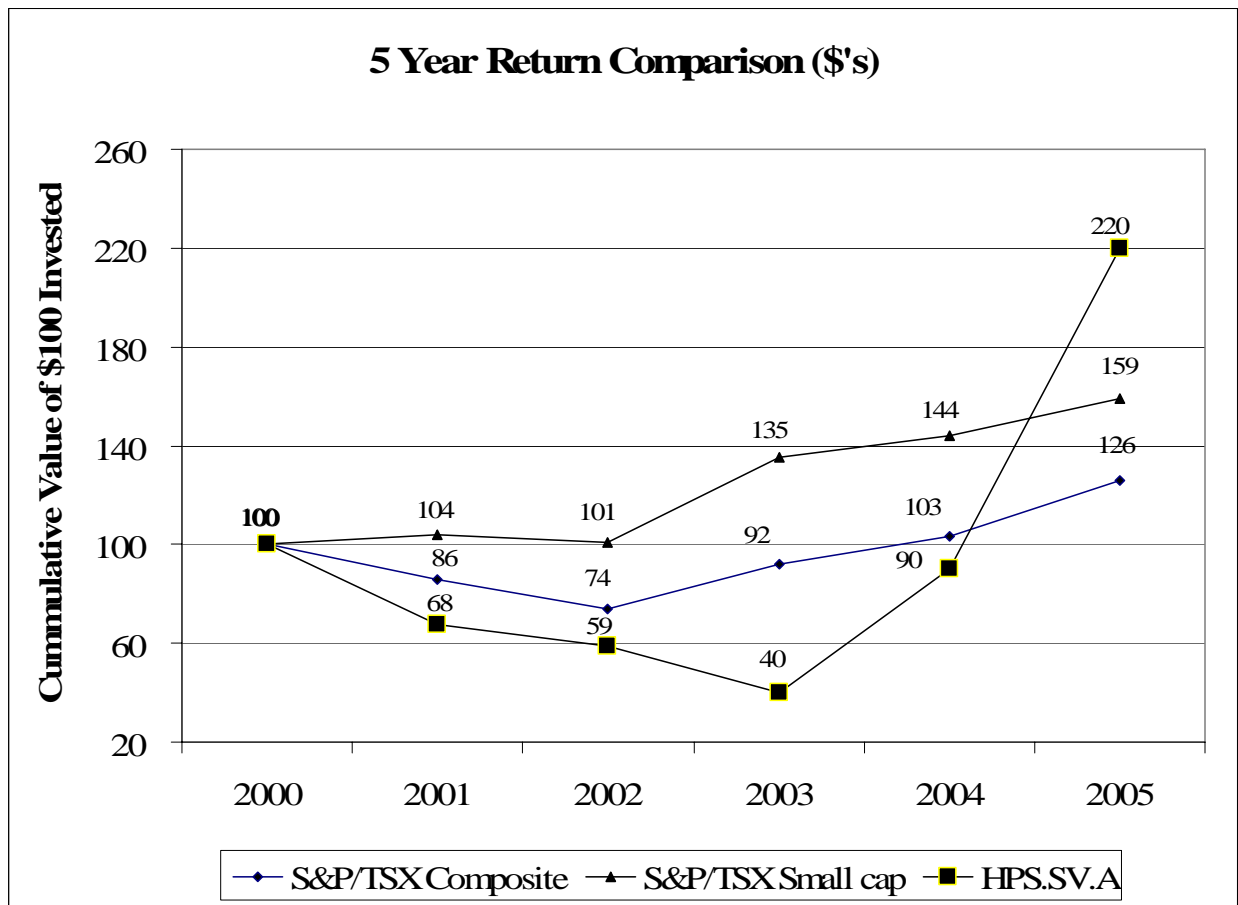
Mr. Raftis has entered into an employment agreement with the Corporation, which provides him with a minimum compensation level based on 60% of his annual salary rate to January 1, 2008, if he is terminated by the Corporation for reasons other than cause. Mr. Raftis may, at his discretion, retire at an earlier date thereby releasing the Corporation from its obligations under the employment agreement or work at a reduced number of days, which is not to be less than an average of 3 days a week for any year of reduced work hours.

Guarantee Fee

William G. Hammond issued a personal guarantee of \$500,000 in respect to the subordinated debt portion of the financing implemented in 2004. The subordinated debt was fully repaid in May 2005. A guarantee fee of \$15,000 was paid in January 2005 covering the period for which the subordinated debt was outstanding.

Performance Graph

The following graph assumes that \$100 was invested from December 31, 2000, to December 31, 2005, in the Corporation's Class A Subordinate Voting Shares and the S&P/TSX Composite and Small Cap Indices.



REPORT ON EXECUTIVE COMPENSATION

While the Board of Directors of the Corporation has not adopted a written policy concerning the compensation of executive officers, it has developed a consistent approach and philosophy relating to executive compensation. The overriding principles in the determination of executive compensation are the need to provide total compensation packages that will attract and retain qualified and experienced executives, reward the executives for the contribution to the overall success of the Corporation and integrate the longer term interest of the executives with the investment objectives of the Corporation's shareholders.

The Compensation Committee is responsible for evaluating compensation for executive officers and reviewing the salaries, bonuses and long-term incentives of the executive officers of the Corporation, including the Named Executive Officers, on an annual basis.

Executive compensation at the Corporation has three principal components; salary, stock options and bonus.

Salary

The primary emphasis of the Corporation's compensation packages is to ensure that base salaries are competitive and consistent with those being paid for positions of similar responsibility in companies of comparable size and complexity. The base salaries for the executive officers are benchmarked to local markets and are set within an appropriate range to reflect the employee's level of responsibility and performance.

Stock Option Plan

The Corporation also has a Stock Option Plan (the "Plan") for officers, directors, and senior management of the Corporation prepared in compliance with the requirements of the Toronto Stock Exchange and approved by the Corporation's shareholders, which is administered by the Board of Directors. The purpose of the Stock Option Plan is to improve the Corporation's long-term financial success by closely aligning the participants' personal interests with those of the Corporation's shareholders. Subject to the provisions of the Plan, the Board of Directors determines and designates from time to time the optionees to whom options are to be granted, the number of common shares to be optioned and other terms and conditions of the stock option grant.

Bonus Plan

Designated officers and managers of the Corporation, some of whom are executive officers, participate in a management incentive plan whereby these officers and managers may receive additional compensation. The entitlement in each year, payable in cash in the subsequent year, for officers and managers is based on pre-determined annual performance metrics. The distribution of the incentive fund to the participating members may include a subjective assessment of the individual's performance. In February 2006, payments amounting to \$461,000 were made to executive officers and senior managers (in total 13 employees) for services rendered in 2005. In February 2005, payments amounting to \$336,000 were made to executive officers and senior managers (in total 13 employees) for services rendered in 2004.

Pension Plan

The Corporation has defined contribution pension plans which are available to virtually all of its employees. Under the defined contribution pension plans, the Corporation is required to match the contributions of the members based on 2-4% of their annual earnings. All contributions accumulate in the pension fund based on the investment growth of the fund. The Corporation also has a contributory defined benefit pension plan (see Note 14 of the Consolidated Financial Statements), which covers the former hourly employees of the Baraboo, Wisconsin plant.

Directors' Remuneration

Directors, who are also employees of the Corporation, do not receive any directors' fees. Non-management directors receive \$10,000 each per annum for services as a director, \$750 attendance fee for each meeting and \$750 for a meeting by means of tele-conference. The total remuneration paid to the directors in respect of services for 2005 was \$46,500 (in 2004, \$44,550 was paid).

Indebtedness of Directors and Officers

No director, proposed nominee for election as director, executive officer or senior officer of the Corporation or any associate or its subsidiaries thereof is or has been indebted to the Corporation at any time during 2005.

Directors and Officers' Liability Insurance

Under existing policies of insurance the Corporation is entitled to be reimbursed for indemnity payments it is required or permitted to make to directors and officers, which are in excess of \$50,000 deductible per occurrence, to a maximum of \$10,000,000 in each policy year. The directors and officers of the Corporation are insured for losses arising from claims against them for certain of their acts, errors or omissions for which the Corporation does not indemnify them, to a maximum of \$10,000,000 in each policy year. As at the date hereof, all of the directors and officers of the Corporation and its subsidiaries are included as insured parties under the policies. All premiums for the policies are paid by the Corporation. The annual premium paid for these policies in fiscal 2005 was \$30,000. The premiums for these policies are not allocated between the directors and officers as separate groups.

Securities Authorized for Issuance under Equity Compensation Plan

The following table sets forth certain information as of December 31, 2005, with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining for future issuance under equity compensation Plan
Stock Option Plan approved by Shareholders	220,000	1.93	580,000

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Management is not aware of any interest of insiders in material transactions with the Corporation.

CORPORATE GOVERNANCE PRACTICES

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

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

Set out below is a description of certain corporate governance practices of the Corporation, as required by the National Instrument.

Board of Directors

A majority of the members of the Board of Directors are independent directors. An independent director is defined as a director who has no direct or indirect material relationship with the Corporation, being a relationship which could be reasonably expected to interfere with the exercise of a director's independent judgment. Messrs. William G. Hammond and F. Al Raftis are considered to be non-independent by virtue of their employment with the Corporation. The Board believes the extensive knowledge of Messrs. Hammond and Raftis of the Corporation's business and affairs is beneficial to the other directors and their participation as directors contributes to the effectiveness of the Board. Messrs. MacAdam, Simo and Baldwin are considered to be independent directors. These determinations were made by the Board based upon an examination of the factual circumstances of each director and consideration of any interests, business or relationships, which any director may have with the Corporation.

The independent directors from time to time hold meetings at which non-independent directors and members of management are not in attendance. The independent directors are free to hold such meetings as deemed appropriate, and communicate with each other regularly on an informal basis.

The Chairman of the Board, Mr. Hammond is not an independent director, nor does the Corporation have a designated lead director. Leadership for the independent directors is assumed by each member depending upon the particular issue at hand, and their relative level of expertise in that area.

Board of Directors (cont'd)

While Mr. Hammond acts both as the Corporation's Chief Executive Officer and as Chairman of the Board, the Board of Directors has concluded that adequate structures and processes are in place to permit it to function independently of management and that the knowledge, experience and qualifications of the independent directors are sufficient to ensure that the Board functions independently of management. When considered appropriate, the Board meets without members of management present. In addition, Mr. Hammond's role is more heavily weighted towards activities traditionally associated with a non-executive Chairman assuming greater responsibility in the day to day operations of the Corporation.

The Corporation and the Board of Directors recognize the significant commitments involved in being a member of the Board of Directors.

There were five board meetings held in fiscal 2005, and all of the members of the Board attended all meetings.

Board Mandate

The Board of Directors is responsible for the overall stewardship of the Corporation. This responsibility is discharged by the Board through supervision of its officers and their management of the business and affairs of the Corporation and by:

- Overseeing the Corporation's strategic planning process;
- Recognizing the principal risks to the Corporation's business and ensuring that systems to monitor and manage those risks are implemented;
- Managing and overseeing the Corporation's succession planning process, including the appointment, training and appraisal of senior officers of the Corporation;
- Overseeing the Corporation's policy for communication with shareholders, the investment community, the media, governments and the general public; and
- Overseeing the integrity of the Corporation's internal control and management information systems.

Position Descriptions

The Board of Directors has charged management with the responsibility for the effective management of the Corporation within the strategic framework established by the Board with the principle objective of enhancing shareholder value.

The Board has not developed written position descriptions for the chair of each board committee.

Orientation and Continuing Education

Responsibility for orientation programs for new directors is assigned to the Chairman of the Board. The Governance Committee's duties include ensuring the adequacy of the orientation and education program for the new member. The Chairman reviews with each new member (i) certain information and materials regarding the Corporation, including the role of the Board of Directors and its committees and (ii) the legal obligations of a director of the Corporation.

Ethical Business Conduct

The Corporation has adopted a code of conduct ethics and values (the "Code") which highlights a high standard of ethics, personal conduct, integrity and professionalism. The code sets out in detail the core values and the principles by which the Corporation is governed and address topics such as: honesty, integrity, ethical behaviour, confidentiality, mutual respect, conduct and conflict of interest.

Management is responsible for communicating the Code to all officers and employees and keeping the Board informed about such compliance. The Code is communicated to directors on an informal basis. The Code is available on the Corporation's intranet or in hard copy upon request.

The Board of Directors and the Audit Committee have established a Whistleblower Policy to encourage employees, officers and directors to bring forward any matters of concern. This policy has been distributed to all employees and is posted on the Corporation's intranet.

In order to ensure that the directors exercise independent judgment in considering transactions and agreements, the Board has a standing policy that all members are required to declare any conflicts of interest with issues or situations as they arise. This would include transactions/agreements in which a director/officer has material interest.

Nomination of Directors

The Corporate Governance Committee is currently composed of all directors, Messrs. William G. Hammond, F. Al Raftis, Douglas V. Baldwin, Donald H. MacAdam and Zoltan D. Simo, a majority of whom are independent directors. The Committee has general responsibility for identifying new candidates for board nomination and for developing the approach of the Corporation to matters of corporate governance. The Committee is responsible for;

- Reviewing annually the mandates of the Board and its committees;
- Recommending procedures to permit the Board to function independently of management;
- Assessing whether the Corporation has implemented appropriate systems of internal control and procedures to ensure compliance with legal, ethical and regulatory requirements and whether these systems are operating effectively;
- Establishing selection criteria for Board membership;
- Assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including considering the appropriate size of the Board; and
- Administering and updating an orientation and education program for new Board members.

Compensation Committee

The Compensation Committee is currently composed of the three independent directors, Douglas V. Baldwin, Donald H. MacAdam and Zoltan D. Simo. The Committee is responsible for making recommendations to the Board on the annual salary, bonus and other benefits of the executive officers of the Corporation.

The Compensation Committee approves the compensation levels for all the executive officers of the Corporation. The Compensation Committee is also responsible in general for reviewing the design and competitiveness of the Corporation's compensation and benefit programs.

The Compensation Committee manages the principal components of the executive compensation, salary and annual incentives, which are paid in cash. These components form a comprehensive strategy designed to achieve the following objectives;

- i. to attract and retain a highly qualified senior management by offering competitive salaries; and
- ii. to motivate performance by tying incentive compensation to the achievement of pre-determined goals.

The Committee is also responsible for assessing compensation for the Board of Directors and reviewing and making recommendations to the Board concerning the Corporation's policies in the area of management prerequisites and concerning the management succession process. The Committee ensures that the Corporation complies with regulatory requirements with respect to executive compensation in its public disclosure documents. The Compensation Committee's mandate also includes evaluating directors' compensation in light of risks and responsibilities involved in being an effective director of the Corporation.

Board Committees

The Board of Directors has established three standing committees: the Audit Committee, Compensation Committee, and Corporate Governance Committee. Internal guidelines have been adopted by the Board which require that committees of the Board be composed of independent directors, unless it deems the appointment of a non-independent director or an officer to be in the best interest of the Corporation.

Disclosure Policy

The Disclosure Policy is reviewed by the Board of Directors and executive officers. The Corporation is committed to providing timely, accurate and balanced disclosure of all material information relating to the Corporation, consistent with legal and regulatory requirements. The mandate of the Disclosure Policy is to raise awareness of the Corporation's approach and commitment to disclosure among the Corporation's directors, management and employees.

Assessment

The Corporate Governance Committee is responsible for assessing the effectiveness of the Board, its committees and individual directors.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's comparative financial statements and management discussion and analysis for its most recently completed financial year. This information and additional information relating to the Corporation may be found on SEDAR at: www.sedar.com.

Shareholders may also e-mail the Corporation at www.ir@hammondpowersolutions.com or by contacting Mr. William G. Hammond, Chairman and CEO or Mr. Chris R. Huether, CFO and Secretary @ 519-822-2441 to request copies of the Corporation's financial statements and Management's Discussion and Analysis.

The Corporation's website is www.hammondpowersolutions.com

GENERAL

Unless otherwise specified, information contained herein is given as of March 7, 2006. The management knows of no matters to come before the Annual General Meeting other than the matters referred to in the Notice of Annual Meeting. If any matters which are not now known should properly come before the Annual Meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgement of the person voting it.

The contents and the sending of this
Information Circular have been approved by
The Board of Directors.

DATED this 27th day of March, 2006

Chris R. Huether,
Vice President Finance and Secretary