

**MANAGEMENT INFORMATION CIRCULAR
2006**



INVITATION TO OUR SHAREHOLDERS

Dear Shareholder:

Please accept my invitation to join our Board of Directors and management team at our next annual meeting on January 10, 2007 at our corporate headquarters in Edmonton.

This is your opportunity to meet your Board of Directors and management team and to hear about our financial results of 2006 and our plans for the future.

If you cannot attend the annual meeting in person, I urge you to make your vote count by exercising the power of your proxy, which is explained in the attached Information Circular.

I thank you for your interest and confidence in our company and look forward to meeting you and answering your questions.

Sincerely,

(signed)

Amin Rawji
Chief Executive Officer

October 26, 2006

RSVP to 877-MATRIKON (877-628-7456) or email: ir@matrikon.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The 2007 Annual Meeting of Shareholders will be held in the Training Center at Matrikon's corporate offices, Suite 1800, 10405 Jasper Avenue, Edmonton, Alberta on Wednesday, January 10, 2007 at 1:00 p.m. (Mountain Standard Time) to:

1. receive and consider our 2006 audited financial statements;
2. elect the directors of Matrikon for 2007;
3. appoint auditors for 2007; and
4. transact any other business properly brought before the meeting.

The Information Circular contains more information on these matters. Our 2006 audited financial statements are included in our Annual Report being mailed with the Circular.

Shareholders as of November 21, 2006 will be entitled to vote at the meeting. The number of eligible votes that may be cast at this meeting is 30,658,330, the total number of common shares of Matrikon outstanding on November 21, 2006.

If you cannot attend the meeting in person, please date, sign and return the enclosed form of proxy. For your vote to be recorded, your proxy must be in the hands of Olympia Trust Company no later than 5:00 p.m. (Mountain Standard Time) on Monday, January 8, 2007.

By order of the Board of Directors,

(signed)

Dwight I. Bliss
Corporate Secretary

MANAGEMENT INFORMATION CIRCULAR

All information is as at October 26, 2006 unless otherwise stated.

Q&A on Voting and Proxies

Q: WHEN IS THE ANNUAL MEETING?

A: The meeting will be held on Wednesday, January 10, 2007 at 1:00 p.m. at Matrikon's corporate head office:

Suite 1800
10405 Jasper Avenue
Edmonton, Alberta
T5J 3N4

Q: WHAT IS THE PURPOSE OF THE MEETING?

A: The purpose of the meeting is to:

- vote on the election of directors to the board for 2007
- vote on the appointment of KPMG LLP as the auditors for 2007

Q: WHO IS ENTITLED TO VOTE?

A: You are entitled to vote if you were a shareholder of Matrikon common shares as of the close of business on November 21, 2006, the record date for the meeting. Each common share is entitled to one vote on the items of business identified in this Information Circular. At November 21, 2006, 30,658,330 common shares were issued and outstanding.

Q: WHAT IF I ACQUIRED MY SHARES AFTER NOVEMBER 21ST?

A: If you acquired shares after November 21, 2006, you must produce properly endorsed share certificates or otherwise establish that you own the shares, and must ask that your name be included in the list of shareholders. This must be done no later than ten days before the meeting in order to be entitled to vote at the meeting.

To ask that your name be included on the list of shareholders, contact Matrikon's transfer agent, Olympia Trust Company (see Olympia's contact details on page 5).

Q: HOW DO I VOTE?

A: REGISTERED SHAREHOLDERS. (Your shares are held in certificate form in your name.) There are two ways you can vote your shares if you are a registered shareholder:

- 1) **In person at the meeting.** If you plan to attend the meeting and wish to vote your shares in person, do not complete or return the proxy. Your vote will be taken and counted at the meeting. Please register with the transfer agent, Olympia Trust Company, when you arrive at the meeting.

- 2) **By proxy.** By signing the enclosed proxy form, you will be appointing the 'named persons' or someone of your choosing (who doesn't need to be a shareholder) to represent you and vote your shares at the meeting.

The proxy must be signed by you, the shareholder, or by your attorney. If the shareholder is a corporation, it must be either under its corporate seal or signed by an authorized officer.

Completing and returning the form of proxy does not mean you cannot attend the meeting in person.

NON-REGISTERED SHAREHOLDERS. (Your shares are held in the name of a nominee, such as a bank, trust company, securities broker, or trustee, including trustees of RRSPs, RRIFs, RESPs and similar plans, etc.) If you are a non-registered shareholder, you can vote your shares in any of the following ways:

- 1) **By proxy.** By providing voting instructions to your nominee. Your nominee will have sent you either a request for voting instructions or a form of proxy for the number of shares you hold. Please follow the voting instructions provided by your nominee, which may include voting by telephone, voting online, or returning the form of proxy in the mail.
- 2) **In person at the meeting.** Since we do not generally have access to the names of our non-registered shareholders, we will have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as proxyholder.

If you wish to vote in person at the meeting, please insert your own name in the space provided on the request for voting instructions or form of proxy received from the nominee to appoint yourself as proxyholder. Return the form of proxy as per the instructions provided by your nominee. Do not complete the voting instructions as your vote will be counted at the meeting. Please register with the transfer agent, Olympia Trust Company, when you arrive at the meeting.

Q: WHAT HAPPENS WHEN I SIGN AND RETURN THE FORM OF PROXY?

A: Signing the enclosed proxy form gives authority to Gordon Freund, Matrikon's General Counsel or Dwight Bliss, Matrikon's Corporate Secretary (the named proxyholders or named persons) or to another person you have appointed to vote your shares at the meeting according to the instructions you provide.

Q: CAN I APPOINT SOMEONE OTHER THAN THE NAMED PROXYHOLDER TO VOTE MY SHARES?

A: **Yes. To do so, write the name of the person you choose to appoint to represent you in the blank space provided on the form of proxy. The person appointed does not need to be a shareholder.** It is important to ensure that the person you appoint is attending the meeting and is aware that he or she has been appointed to vote your shares. Proxyholders should present themselves to a representative of Olympia Trust Company when they arrive at the meeting.

Q: WHAT DO I DO WITH MY COMPLETED PROXY?

A: Return it to the transfer agent, Olympia Trust Company, in the envelope provided, or by fax to 403-265-1455 so that it arrives no later than 5:00 pm (Mountain Standard Time) on Monday, January 8, 2007. This will ensure that your vote is recorded.

If you receive a request for voting instructions from your nominee, please follow the voting instructions provided by your nominee.

Q: WHO IS SOLICITING MY PROXY?

A: The enclosed form of proxy is being solicited by the management of Matrikon for use at the annual meeting to vote your shares as you instruct.

Proxies will be solicited primarily by mail, but may also be solicited by electronic means, by telephone or in person. Matrikon pays the costs associated with soliciting proxies.

Q: HOW WILL MY SHARES BE VOTED IF I RETURN MY PROXY?

A: You can indicate on your proxy how you want the proxyholder to vote your shares, or you can let your proxyholder decide for you. If you specify on your proxy how you want your shares to be voted on a particular matter, the proxyholder will vote your shares that way. If you do not specify how you want your shares to be voted, your proxyholder can vote your shares as he or she sees fit.

If you appoint the persons designated in the enclosed proxy and do not specify how you want your shares voted, they will be voted as follows:

Election of directors FOR
Appointment of auditors..... FOR

Q: WHAT IF AMENDMENTS ARE MADE TO THE MATTERS TO BE VOTED ON OR OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

A: The person named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may come up during the meeting. As of the date of this Information Circular, Matrikon's management does not know of any such amendment, variation or other matter expected to come up at the meeting. If other matters properly come up at the meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

Q: IF I CHANGE MY MIND, CAN I TAKE BACK MY PROXY ONCE I HAVE GIVEN IT?

A: Yes. If you change your mind and wish to revoke your proxy, you may do so by completing, signing and returning a new proxy with a later date or a written statement of your wish to revoke your proxy. The new proxy or statement of revocation must be delivered to Olympia Trust Company no later than 5:00 pm Mountain Standard Time on January 8, 2007 or to the Chairman of the annual meeting on the day of the meeting, or any adjournment of the meeting.

Q: WHAT DOCUMENTS ARE SENT TO SHAREHOLDERS?

A: Matrikon sends a package of annual corporate documents, including the annual report, this Information Circular and the form of proxy to all Registered shareholders. Copies of the meeting materials are also sent to clearing agencies and intermediaries for distribution to Non-Registered shareholders. Intermediaries are required to forward the meeting materials to Non-Registered shareholders unless the Non-Registered shareholder has waived the right to receive them.

Q: HOW WILL THE VOTES BE COUNTED?

A: Voting at the meeting will be by a show of hands, unless a ballot is demanded by a shareholder or proxyholder. Each question brought before the meeting is determined by a majority of votes.

Q: WHO COUNTS THE VOTES?

A: Matrikon's transfer agent, Olympia Trust Company, counts and tabulates the proxies. This preserves the confidentiality of individual shareholder votes.

Q: HOW MANY PEOPLE NEED TO ATTEND THE MEETING FOR BUSINESS TO BE CONDUCTED?

A: A quorum is required in order to transact business at the meeting. Quorum is achieved when two people entitled to vote are present in

person and a minimum of 5% of the outstanding common shares are represented.

Q: HOW CAN I CONTACT THE TRANSFER AGENT?

A: You can contact the transfer agent by mail at:

Olympia Trust Company
Corporate & Shareholder Services
2300, 125 – 9 Avenue SE
Calgary, Alberta T2G 0P6

Or by telephone:
1-888-242-2220

Or by email:
malcolmi@olympiatrust.com

Q: WHO ARE THE PRINCIPAL SHAREHOLDERS OF THE COMPANY?

A: To the knowledge of the directors and senior officers of Matrikon, the only persons or corporations who beneficially own or exercise control or direction of more than 10% of the outstanding shares of the company are:

| Name | Number of Common Shares Owned or Controlled | Percentage of Common Shares as of October 31, 2006 |
|------------------------------|---|--|
| Nizar J. Somji | 9,891,210 | 31.85% |
| Van Berkom & Associates Inc. | 3,473,150 | 11.18% |

* As at November 1, 2006

BUSINESS TO BE CONDUCTED AT THE MEETING

1. Financial Statements

The audited financial statements of Matrikon for the year ended August 31, 2006 which are contained in the Annual Report included with this Proxy Circular will be placed before shareholders for their consideration at the Meeting.

2. Election of Directors

The eight (8) nominees proposed for election as directors of Matrikon are listed on pages 7-9. Each of the nominees is currently a director of Matrikon.

The Articles of Matrikon require a minimum of 3 and a maximum of 15 directors.

Once elected, directors will hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

If any of the nominees is for any reason unable to serve as a director at the time of the meeting, proxies in favour of management will be voted **For** another nominee at management's discretion unless you have specified that your shares are to be withheld from voting in the election of directors.

Management has no reason to believe that any nominee will be unable to serve as director.

3. Appointment of Auditors

The Board of Directors propose that KPMG LLP be appointed as Matrikon's independent auditors for the 2007 fiscal year. KPMG LLP have been Matrikon's auditors since March 29, 2001.

You will be asked at the Meeting to vote in favour of the appointment of KPMG LLP, of Edmonton, Alberta, as Matrikon's auditors for the 2007 fiscal year and to authorize the directors to fix their remuneration.

The persons designated in the enclosed form of proxy intend to vote **For** the re-appointment of KPMG LLP as Matrikon's auditors, unless instructed otherwise.

Interest of Certain Persons in Matters to be Acted Upon

None of Matrikon's directors or executive officers, or any associate or controlled corporation of any such person, has any direct or indirect material interest in any of the matters to be acted upon at the Meeting other than the election of directors.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS



Hugh J. Bolton, FCA
Edmonton, Alberta, Canada
Age: 68

Independent – Lead Director

Director Since: March 29, 2001
2006 Meeting Attendance: 100%
2006 Director Compensation: \$44,564
Common Shareholdings: 67,923
Change from 2005: +51,484
Meets minimum shareholding requirement
Committee: Compensation & Governance

Principal Occupation:

Chairman of EPCOR Utilities Inc. (Electric & Water Utility)

Recent Business Experience:

Mr. Bolton retired as Chairman and CEO of Coopers & Lybrand Canada in 1998 after a 40-year career with Coopers & Lybrand (now PricewaterhouseCoopers) and predecessor firms.

Other Directorships:

EPCOR Utilities Inc. (Chairman), EPCOR Preferred Equity Inc. (Chairman), Teck Cominco Limited, The Toronto Dominion Bank, The Canadian National Railway Company, WestJet Airlines Ltd., Alberta Shock Trauma Air Rescue Society

Stock Options:

| Number | Price | Grant | Exercisable | Expiry | Exercised |
|--------|-------|-----------|-------------|-----------|-----------|
| 50,000 | 1.90 | 6-Jun-01 | 6-Jun-01 | 6-Jun-06 | 50,000 |
| 10,000 | 2.01 | 19-Jul-02 | 19-Jul-03 | 19-Jul-08 | - |
| 10,000 | 1.85 | 22-Apr-03 | 22-Apr-04 | 22-Apr-09 | - |
| 10,000 | 2.89 | 19-May-04 | 19-May-05 | 19-May-10 | - |
| 10,000 | 4.15 | 28-Apr-05 | 28-Apr-06 | 28-Apr-11 | - |

RSUs:

| Number | Grant | Exercisable |
|--------|----------|--|
| 13,500 | 7-Jul-06 | 4,500 (7-Jul-07); 4,500 (7-Jul-08); 4,500 (7-Jul-09) |



C. Kent Jespersen
Calgary, Alberta, Canada
Age: 60

Independent

Director Since: March 29, 2001
2006 Meeting Attendance: 100%
2006 Director Compensation: \$30,625
Common Shareholdings: 72,058*
Change from 2005: +5,800
Meets minimum shareholding requirement
Committees:
..... Compensation & Governance (Chair)

*includes 3,100 common shares held by associates or affiliates

Principal Occupation :

Chairman, La Jolla Resources International Ltd. (Advisory & Investments)

Recent Business Experience:

Mr. Jespersen is the Chairman and Chief Executive Officer of La Jolla Resources Int'l. Ltd. And has held senior executive positions with several energy resource companies, including serving as President at NOVA Gas International and Foothills Pipe Lines and as Senior Vice President at Husky Oil.

Other Directorships:

Axia Netmedia, CCR Technologies Inc. (Chairman), North American Oil Sands Ltd., TransAlta Corporation

Stock Options:

| Number | Price | Grant | Exercisable | Expiry | Exercised |
|--------|-------|-----------|-------------|-----------|-----------|
| 50,000 | 1.90 | 6-Jun-01 | 6-Jun-01 | 6-Jun-06 | 50,000 |
| 10,000 | 2.01 | 19-Jul-02 | 19-Jul-03 | 19-Jul-08 | - |
| 10,000 | 1.85 | 22-Apr-03 | 22-Apr-04 | 22-Apr-09 | - |
| 10,000 | 2.89 | 19-May-04 | 19-May-05 | 19-May-10 | - |
| 10,000 | 4.15 | 28-Apr-05 | 28-Apr-06 | 28-Apr-11 | - |

RSUs:

| Number | Grant | Exercisable |
|--------|----------|--|
| 13,500 | 7-Jul-06 | 4,500 (7-Jul-07); 4,500 (7-Jul-08); 4,500 (7-Jul-09) |



David Kramer, CFA
Edmonton, Alberta, Canada
Age: 43

Independent

Director Since: January 20, 2004
2006 Meeting Attendance: 100%
2006 Director Compensation: \$25,000
Common Shareholdings: 145,000*
Change from 2005: +22,800
Meets minimum shareholding requirement
Committees: Audit

*includes 117,500 common shares held by associates or affiliates

Principal Occupation:
Independent Analyst

Recent Business Experience:

Mr. Kramer is an independent financial analyst with extensive experience researching software and technology companies.

Other Directorships:

Municipal Solutions Group, Inc.

Stock Options:

| Number | Price | Grant | Exercisable | Expiry | Exercised |
|--------|-------|-----------|-------------|-----------|-----------|
| 50,000 | 2.89 | 19-May-04 | 19-May-04 | 19-May-09 | - |
| 10,000 | 4.15 | 28-Apr-05 | 28-Apr-06 | 28-Apr-11 | - |

RSUs:

| Number | Grant | Exercisable |
|--------|----------|--|
| 13,500 | 7-Jul-06 | 4,500 (7-Jul-07); 4,500 (7-Jul-08); 4,500 (7-Jul-09) |



Robert Moore, Ph.D.
Tustin, California, USA
Age: 64

Independent

Director Since: March 29, 2001
2006 Meeting Attendance: 100%
2006 Director Compensation: \$25,000
Common Shareholdings: 113,303
Change from 2005: +50,351
Meets minimum shareholding requirement
Committees: Audit

Principal Occupation:

Chairman and CEO, Vigilistics, Inc. (Technology)

Recent Business Experience:

Dr. Moore is Chairman and CEO of Vigilistics, Inc., an early-stage company that provides real-time operations intelligence systems for dairy and food processing. Previously, he was a Founder and President of Gensym Corporation, a public company in Massachusetts.

Other Directorships:

Bluebeam Software Inc., Digital Performance Inc., Vigilistics, Inc. (Chairman)

Stock Options:

| Number | Price | Grant | Exercisable | Expiry | Exercised |
|--------|-------|-----------|-------------|-----------|-----------|
| 50,000 | 1.90 | 6-Jun-01 | 6-Jun-01 | 6-Jun-06 | 50,000 |
| 10,000 | 2.01 | 19-Jul-02 | 19-Jul-03 | 19-Jul-08 | - |
| 10,000 | 1.85 | 22-Apr-03 | 22-Apr-04 | 22-Apr-09 | - |
| 10,000 | 2.89 | 19-May-04 | 19-May-05 | 19-May-10 | - |
| 10,000 | 4.15 | 28-Apr-05 | 28-Apr-06 | 28-Apr-11 | - |

RSUs:

| Number | Grant | Exercisable |
|--------|----------|--|
| 13,500 | 7-Jul-06 | 4,500 (7-Jul-07); 4,500 (7-Jul-08); 4,500 (7-Jul-09) |



Michael B. Percy, Ph.D.
Edmonton, Alberta, Canada
Age: 58

Independent

Director Since: March 29, 2001
2006 Meeting Attendance: 75%
2006 Director Compensation: \$25,000
Common Shareholdings: 23,700
Change from 2005: nil
Meets minimum shareholding requirement
Committees: Compensation & Governance

Principal Occupation:

Dean of the Faculty of Business, University of Alberta (Education)

Recent Business Experience:

Dr. Percy is the Dean of the School of Business at the University of Alberta and has been with the University since 1979. Dr. Percy is an active researcher and commentator on a variety of public policy issues.

Other Directorships:

EPCOR Utilities Inc., Timber Investments Ltd., Alberta Life Sciences Institute

Stock Options:

| Number | Price | Grant | Exercisable | Expiry | Exercised |
|--------|-------|-----------|-------------|-----------|-----------|
| 50,000 | 1.90 | 6-Jun-01 | 6-Jun-01 | 6-Jun-06 | 50,000 |
| 10,000 | 2.01 | 19-Jul-02 | 19-Jul-03 | 19-Jul-08 | 10,000 |
| 10,000 | 1.85 | 22-Apr-03 | 22-Apr-04 | 22-Apr-09 | 10,000 |
| 10,000 | 2.89 | 19-May-04 | 19-May-05 | 19-May-10 | - |
| 10,000 | 4.15 | 28-Apr-05 | 28-Apr-06 | 28-Apr-11 | - |

RSUs:

| Number | Grant | Exercisable |
|--------|----------|--|
| 13,500 | 7-Jul-06 | 4,500 (7-Jul-07); 4,500 (7-Jul-08); 4,500 (7-Jul-09) |



Amin Rawji
Edmonton, Alberta, Canada
Age: 43

Related – Management

Director Since:December 9, 2005
2006 Meeting Attendance:..... 100%
2006 Director Compensation:.....nil
Common Shareholdings:.....834,314
Change from 2005:.....+33,649
Meets minimum shareholding requirement

Principal Occupation:

President and CEO, Matrikon Inc. (Industrial Technology)

Recent Business Experience:

Mr. Rawji is the president and CEO of Matrikon Inc. He has served Matrikon in a variety of senior executive positions for the past 11 years. Mr. Rawji's vision and leadership have been instrumental in Matrikon's evolution.

Other Directorships:

St. Joseph's College Board of Governors

Stock Options:

Nil

RSUs:

| Number | Grant | Exercisable |
|---------|----------|---|
| 100,000 | 7-Jul-06 | 25,000 (1-Sep-07); 33,000 (1-Sep-08); 42,000 (1-Sep-09) |



Janice G. Rennie, FCA
Edmonton, Alberta, Canada
Age: 49

Independent

Director Since:January 21, 2003
2006 Meeting Attendance:..... 100%
2006 Director Compensation:.....\$31,667
Common Shareholdings:.....20,571
Change from 2005:.....+5,790
Meets minimum shareholding requirement
Committees:Audit (Chair)

Principal Occupation:

Independent Director and Business Advisor (Business Consulting)

Recent Business Experience:

Mrs. Rennie is an independent director and business advisor. She has held senior management positions with a number of companies including, most recently, Senior Vice President of Human Resources and Organizational Effectiveness at EPCOR Utilities Inc., a company on whose board she served for ten years. Mrs. Rennie was also Principal of Rennie & Associates, which operated a number of business interests.

Other Directorships:

Canadian Hotel Income Properties, Greystone Capital Management Inc., NOVA Chemicals Inc., Methanex Corporation, West Fraser Timber Co. Ltd.

Stock Options:

| Number | Price | Grant | Exercisable | Expiry | Exercised |
|--------|-------|-----------|-------------|-----------|-----------|
| 50,000 | 1.85 | 22-Apr-03 | 22-Apr-04 | 22-Apr-09 | - |
| 10,000 | 2.89 | 19-May-04 | 19-May-05 | 19-May-10 | - |
| 10,000 | 4.15 | 28-Apr-05 | 28-Apr-06 | 28-Apr-11 | - |

RSUs:

| Number | Grant | Exercisable |
|--------|----------|--|
| 13,500 | 7-Jul-06 | 4,500 (7-Jul-07); 4,500 (7-Jul-08); 4,500 (7-Jul-09) |



Nizar J. Somji, P.Eng.
Edmonton, Alberta, Canada
Age: 47

Related – Prior Management

Director Since:March 29, 2001
2006 Meeting Attendance:..... 100%
2006 Director Compensation:.....\$38,237
Common Shareholdings:.....10,602,786*
Change from 2005:.....nil
Meets minimum shareholding requirement

*includes 711,576 common shares held by associates or affiliates

Principal Occupation:

President, Jaffer Inc. (Advisory & Business Consulting)

Recent Business Experience:

Mr. Somji is the president of Jaffer Inc., a consulting company offering a broad range of services for small business owners as well as assistance with mergers and acquisitions. Mr. Somji is the founder and former president and CEO of Matrikon Inc., which he grew from a local systems integrator to a global industrial solutions company. He is a frequent guest speaker for industry associations and business groups and regularly contributes to a variety of publications.

Other Directorships:

Optimal Geomatics Inc., CARE Canada

Stock Options:

Nil

RSUs:

| Number | Grant | Exercisable |
|--------|----------|--|
| 13,500 | 7-Jul-06 | 4,500 (7-Jul-07); 4,500 (7-Jul-08); 4,500 (7-Jul-09) |

BOARD OF DIRECTORS

Director Compensation

As at October 26, 2006, Matrikon has 8 directors, including 6 independent directors, one executive director and one director who was a former executive. Matrikon defines independent directors according to the definition contained in Multilateral Instrument 52-110 Section 1.4.

Director compensation is paid only to directors who are not employees of or consultants to Matrikon, thus, Mr. Rawji does not receive compensation as a director.

Until December 31, 2005, director compensation was structured as follows:

- *Annual director retainer:*
\$12,500 per year
- *Board meeting retainer:*
\$12,500 per year
- *Board chair retainer:*
\$25,000 per year (in addition to the annual director retainer)
- *Committee chair retainer:*
\$2,500 per year (in addition to the annual director retainer and annual meeting fee)

Effective January 1, 2006, director compensation was modified to the following:

- *Annual director retainer:*
\$12,500 per year
- *Board meeting retainer:*
\$12,500 per year
- *Board chair retainer:*
\$60,000 per year (in addition to the annual director retainer and meeting fee)
- *Lead director retainer:*
\$15,000 per year (in addition to the annual director retainer and meeting fee)
- *Annual audit committee chair retainer:*
\$12,500 per year (in addition to the annual director retainer and meeting fee)
- *Annual compensation and governance committee chair retainer:*
\$10,000 per year (in addition to the annual director retainer and meeting fee)

Directors who do not reside in Canada are paid the annual director retainer and annual board meeting fees in equivalent US dollars.

Matrikon also reimburses directors for related travel and out-of-pocket expenses.

Total compensation paid to all directors during the fiscal year ended August 31, 2006 was \$220,093 (2005 \$205,000).

Non-Employee Director Compensation

| Director | Annual Director Retainer | Board Meeting Retainer | Committee Chair Retainer | Other Retainer | Total |
|----------------|--------------------------|------------------------|--------------------------|---------------------|--------|
| Hugh Bolton | 12,500 | 12,500 | - | 19,564 ¹ | 44,564 |
| Kent Jespersen | 12,500 | 12,500 | 5,625 ² | - | 30,625 |
| David Kramer | 12,500 | 12,500 | - | - | 25,000 |
| Robert Moore | 12,500 | 12,500 | - | - | 25,000 |
| Michael Percy | 12,500 | 12,500 | - | - | 25,000 |
| Janice Rennie | 12,500 | 12,500 | 6,667 ² | - | 31,667 |
| Nizar Somji | 6,250 ¹ | 6,250 ¹ | - | 25,737 ¹ | 38,237 |

Notes:

¹ Effective December 10, 2005 Nizar Somji became Chair of the Board and Hugh Bolton became Lead Director. Prior to this date, Mr. Bolton was Chair of the Board and Mr. Somji was CEO of Matrikon. As CEO of Matrikon, Mr. Somji did not receive director compensation. The amounts in the column 'other retainer' are prorated to reflect this change and the change in director compensation effective January 1, 2006

² The committee chair retainers are prorated to reflect the change in director compensation effective January 1, 2006

Directors' Shareholdings Requirements

To ensure that director interests are aligned with shareholders' interests, Matrikon's directors are required to own the dollar value equivalent of three (3) times their annual director retainer in shares after a period of three years on the Board. As of October 26, 2006, all directors owned the equivalent of at least three (3) times their annual director retainer in Matrikon shares based on share value at time of purchase.

Shareholdings of Independent Directors as at October 26, 2006

| | Number | Value ¹ |
|---------------|---------|--------------------|
| Common Shares | 442,555 | \$1,327,665 |
| Options | 230,000 | \$132,700 |

Note:

¹ Based on closing price of Matrikon shares on October 26, 2006 and taking into account only options that are currently exercisable and in the money

Director Stock Options

Matrikon's Stock Option plan was discontinued in fiscal 2006. Under the previous plan, newly appointed or elected directors received a grant of 50,000 options to purchase shares. Directors also received annual grants of 10,000 options.

These stock options were only available to non-executive directors.

The exercise price for options was set at the closing market price of Matrikon's common shares on the day they were granted unless a trading blackout was in effect at the time. In this case, the exercise price was set at the closing market price of Matrikon's common shares on the day following the lifting of the trading blackout.

No directors received options in 2006. The Stock Option Plan was replaced with the Restricted Share Unit (RSU) Plan.

RSU Plan

In 2006, Matrikon replaced its Stock Option Plan with an RSU plan. Under the plan, Directors receive RSUs at approximately the equivalent value to the options they would have received annually under the Stock Option Plan. The RSUs vest over a period of three years. Once vested, the RSUs can be converted to shares or equivalent Deferred Share Units (DSUs), at the option of each director.

In 2006, each director received 13,500 RSUs. These RSUs vest as follows: 4,500 on July 7, 2007; 4,500 on July 7, 2008; 4,500 on July 7, 2008.

Independent Director Equity Ownership Summary

| Director | As at 26-Oct-06 | | As at 14-Oct-05 | | Net Change | | Market Value ¹ (26-Oct-06) |
|----------------|----------------------|---------|----------------------|---------|---------------|---------|--|
| | Common Shares | Options | Common Shares | Options | Common Shares | Options | Total |
| Hugh Bolton | 67,923 | 40,000 | 16,439 | 90,000 | +51,484 | -50,000 | \$226,269 |
| Kent Jespersen | 72,058 ² | 40,000 | 66,258 | 90,000 | +5,800 | -50,000 | \$238,674 |
| David Kramer | 145,000 ³ | 60,000 | 122,200 ² | 60,000 | +22,800 | Nil | \$440,500 |
| Robert Moore | 113,303 | 40,000 | 62,952 | 90,000 | +50,351 | -50,000 | \$362,409 |
| Michael Percy | 23,700 | 20,000 | 23,700 | 20,000 | - | Nil | \$72,200 |
| Janice Rennie | 20,571 | 70,000 | 14,781 | 70,000 | +5,790 | Nil | \$120,313 |

Note:

¹ Based on closing price of Matrikon shares on October 26, 2006. Market value includes the value of common shares held and the in the money value of options.

² Includes 3,100 common shares held by associates or affiliates

³ Includes 117,500 common shares held by associates or affiliates

Independence and Board Committees

Director independence is determined based on the guidelines of Multilateral Instrument 52-110 Section 1.4 and Section 1.5 for members of the Audit Committee.

Six of Matrikon's eight directors for 2006 were independent. All committees are made up entirely of independent outside directors.

| Director | Audit Committee | Compensation & Governance Committee |
|---|---|-------------------------------------|
| Independent Outside Directors | | |
| Hugh Bolton | | ✓ |
| Kent Jespersen | | ✓ |
| David Kramer | ✓ | |
| Robert Moore | ✓ | |
| Michael Percy | | ✓ |
| Janice Rennie | ✓ | |
| Management Directors (no committee membership) | | |
| Nizar Somji | Not independent: former president and CEO of Matrikon | |
| Amin Rawji | Not independent: president and CEO of Matrikon | |

Summary of Board and Committee Meetings Held
For the fiscal year ended August 31, 2006

| Meeting Type | In Person Meetings | Conference Calls | In Camera Sessions ² |
|-------------------------------------|--------------------|------------------|---------------------------------|
| Board | 6 ¹ | 4 | 2 |
| Audit Committee | 4 | 3 | 3 |
| Compensation & Governance Committee | 3 | 3 | 1 |

Note:

1 Includes all-day strategic planning session

2 Meetings held without management present

Summary of Director Attendance at Meetings
For the fiscal year ended August 31, 2006

| Director | Board meetings attended | Committee meetings attended | % attendance |
|----------------|-------------------------|-----------------------------|--------------|
| Hugh Bolton | 10 of 10 | 6 of 6 | 100% |
| Kent Jespersen | 10 of 10 | 6 of 6 | 100% |
| David Kramer | 10 of 10 | 7 of 7 | 100% |
| Robert Moore | 10 of 10 | 7 of 7 | 100% |
| Michael Percy | 8 of 10 | 4 of 6 | 75% |
| Janice Rennie | 10 of 10 | 7 of 7 | 100% |
| Amin Rawji | 10 of 10 | - | 100% |
| Nizar Somji | 10 of 10 | - | 100% |

Interlocking Directorships

Two directors of Matrikon also share directorship on the board of EPCOR Utilities Inc.: Hugh Bolton and Michael Percy. In addition, Janice Rennie was a former director of EPCOR Utilities Inc.

The board does not view this interlock as an impairment to the individual directors ability to exercise independent judgment.



Janice Rennie (Chair), Robert Moore, David Kramer

AUDIT COMMITTEE REPORT

The Audit Committee, on behalf of the Board of Directors, has oversight responsibility for Matrikon's financial reporting processes and the quality of the company's financial reporting. The Committee has a written charter that describes the Committee's objectives and how it operates.

Since November 9, 2004, the Audit Committee has been comprised of the following three members:

- Janice Rennie
- Robert Moore
- David Kramer

Each member of the Audit Committee is considered by the Board of Directors to be "independent" and "financially literate" within the meaning of Multilateral Instrument 52-110 – Audit Committees.

Relevant Education & Experience of Audit Committee Members

| Committee Member | Relevant Education & Experience |
|------------------------|---|
| Janice Rennie CHAIR | Mrs. Rennie is a Chartered Accountant. She has served as an executive including both operations and financial roles in a number of private and public companies. In these roles, Mrs. Rennie has actively supervised persons engaged in preparing, auditing, analyzing or evaluating financial statements. In addition, Mrs. Rennie has served on and chaired a number of Audit committees of public companies. |
| Robert Moore | Dr. Moore acquired significant financial experience and exposure to accounting and financial issues while serving for 13 years as Co-Founder, President and Director of Gensym Corporation, a USA-based public company. Dr. Moore is Chairman and CEO of Vigilistics, Inc. |
| David Kramer | Mr. Kramer is a CFA charterholder. Mr. Kramer acquired experience in corporate financial statement review and analysis in his capacity as equity research analyst with a Canadian bank-owned investment dealer. |

Audit Committee Charter

The Audit Committee charter is summarized below. The full text of the charter is available on our website at www.matrikon.com/investors and is attached to our annual information form dated November 17, 2006 and available on SEDAR at www.sedar.com.

The Audit Committee approves, monitors, evaluates, advises and makes recommendations to the Board on matters affecting the external audit and the financial reporting and accounting control policies and practices of Matrikon. In addition, the committee has oversight responsibility with respect to management's duties regarding Matrikon's financial risks.

During fiscal 2006, the Audit Committee met 7 times (four in person meetings, three teleconferences). Each in person meeting included the external auditors, the Chief Financial Officer and General Counsel. At three in person meetings, the Audit Committee met with the auditors without management present and with management without the auditors present.

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certified certain information in the consolidated financial statements and related disclosure and internal control design materials as required by Canadian securities regulators.

In fulfilling its mandate and responsibilities, the Audit Committee focuses on three areas:

Financial Reporting

The Audit Committee performs:

- A review with management and the external auditors of:
 - the appropriateness of Matrikon's accounting and financial reporting practices
 - any significant new or pending developments in accounting and reporting standards and how they will impact Matrikon
 - the integrity of Matrikon's internal control and management information systems
 - the key estimates and judgments of management that may be material to Matrikon's financial reporting
- A review of the annual audited financial statements, the financial content and the management's discussion and analysis section of the annual report, the management information circular and proxy materials, the annual information form, and the quarterly financial statements and earnings releases and recommends their approval to the Board.

External Auditors

The Audit Committee:

- Assesses the performance and considers the annual appointment of external auditors for recommendation to the Board for ultimate recommendation for appointment by the shareholders, including a review of the auditor's performance, qualifications, independence, audit plans and fees.
- Pre-approves all non-audit services provided by the external auditors or its affiliates and considers any potential impact the non-audit service may have on the independence of the external audit work.
- Reviews the results of the annual audit examination with the external auditors and meets with the external auditors without management present at most in person meetings.
- Receives annual reports from the external auditor on its views of the quality (not just the acceptability) of Matrikon's annual and interim financial reporting.

Risk Management

The Audit Committee oversees management's identification of Matrikon's principal financial risks and uncertainties and the systems used to minimize these risks.

In 2006, the Audit Committee oversaw management's development of disclosure controls documentation.

(signed)

Janice G. Rennie, FCA
Chair, Audit Committee

AUDITORS

KPMG LLP have been Matrikon's Auditors since March 29, 2001. In addition to performing the audit of Matrikon's consolidated financial statements, KPMG LLP provided other services to the company and its subsidiaries as follows:

| | 2006 | 2005 |
|--------------------|------------------|-------------------|
| Audit fees | \$177,000 | \$ 146,081 |
| Audit related fees | 60,392 | 58,200 |
| Tax fees | - | - |
| All other fees | - | 47,950 |
| Total | \$237,392 | \$ 252,231 |

'Audit related fees' include fees for the review of the quarterly financial statements and management's discussion and analysis. 'Other fees' include acquisition review fees and a disclosure controls documentation workshop. 2006 Audit fees are estimates.

All services provided by the Auditors, including non-audit related services, are subject to preapproval by the Audit Committee through established procedures. Matrikon's chief financial officer (CFO) discusses proposed non-audit related services to be performed by KPMG with the chair of the Audit Committee. If the amount is immaterial and will not otherwise interfere with the independence of the auditors, the Chair approves the services and the CFO reports to the Audit Committee on these

services at the next regularly scheduled committee meeting. If the amount of the proposed services is material, a special Audit Committee meeting is convened to discuss the proposed service and the preapproval is put to a vote. Management regularly updates the Committee on the services rendered by the Auditors.

The Audit Committee has reviewed other services provided by the Auditors and has determined that they do not interfere with the independence of the Auditors. Other accounting firms provide most non-Audit services.

The Auditors, Audit Committee and management maintain regular and open communication in relation to the audit of Matrikon's financial statements. There were no disagreements between the Auditors, the Audit Committee and management on matters affecting the audit of Matrikon's financial statements.

In addition, the Auditors reviewed and discussed Matrikon's unaudited 2006 quarterly financial statements and earnings releases with management and the Audit Committee.

The Audit Committee meets with the Auditors without management present at most in person Committee meetings.



Kent Jespersen (Chair), Hugh Bolton, Michael Percy

COMPENSATION AND GOVERNANCE COMMITTEE REPORT

The Compensation and Governance Committee focuses on ensuring that human resources strategies support Matrikon's objectives and sustain shareholder value, and on measuring Board performance with respect to governance standards.

The Compensation and Governance Committee is responsible for reviewing compensation levels of senior management, for succession planning for the Chief Executive Officer and for providing advice to the Board concerning the general oversight of compensation and governance matters.

The committee also acts as the Nominating Committee and assists the Board in identifying individuals qualified to become Board members and recommending director nominees.

The Compensation and Governance committee has been contained the following three independent directors since November 9, 2004:

- Kent Jespersen
- Hugh Bolton
- Michael Percy

During fiscal 2006, the Compensation and Governance Committee met six times (three in person meetings and three teleconferences).

In fulfilling its mandate and responsibilities, the Compensation and Governance Committee focuses on three areas:

Compensation

The committee is responsible for reviewing and approving the compensation of all senior officers of Matrikon. The committee regularly discusses personnel and human resources matters, including recruitment and development, management succession and benefit plans.

The Compensation and Governance Committee:

- Conducts an annual review of Matrikon's officers' salaries, the general salary structure and employee benefits plans,

including restricted share units, and the employee stock purchase plan.

- Reviews incentive bonus arrangements for senior officers.
- Ensures compliance with compensation disclosure requirements and approves the report on executive compensation for the Management Information Circular.
- Reviews the adequacy of director compensation and ensures that it realistically reflects the responsibilities and risk involved in being an effective director.
- Reviews senior officer performance and succession plans with the Board annually.

Corporate Governance

The Committee is responsible for reviewing and making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board, including:

- Ensuring the annual adoption of a corporate strategy and a strategic planning process
 - Ensuring the adoption of corporate objectives through the strategic planning process
 - Ensuring that Matrikon's disclosure policy facilitates effective communication and satisfies continuous disclosure requirements
- In fiscal year 2006, we reviewed our disclosure policy. As a result of this evaluation, our disclosure policy was modified based on best practices. A disclosure committee was also established to bring increased rigor to our review of public documents and disclosure issues.
- Ensuring that each Board Committee annually reviews its scope and responsibilities
 - Ensuring that appropriate orientation and education programs are provided to new directors
 - Undertaking an annual assessment of the effectiveness of the Board, the Board

Chairman, and the committees of the Board and reporting the findings to the Board. The assessment process examines the effectiveness of the Board as a whole and specifically reviews areas that the Board believe could be improved to ensure the continued effectiveness of the Board in the execution of its responsibilities. A questionnaire addressing Board responsibility, operations, communications and effectiveness is completed by each director. The Chairman of the Board compiles the results of the surveys and interviews each director to discuss individual concerns. A separate evaluation of the Board Chairman is conducted by the chair of the Compensation and Governance committee and includes individual interviews with each director.

- Reviewing and making recommendations to the Board on significant corporate governance issues relating to functional and operational matters, including monitoring the development and maintenance of Matrikon's approach to governance issues, considering new guidelines, and reviewing the description of Matrikon's corporate governance procedures in the annual report and Information Circular

- Monitoring and reviewing Matrikon's Health, Safety and Environment (HSE) policies to ensure they are being effectively implemented

A description of Matrikon's corporate governance practices under National Instrument 58-101 is provided in Appendix 1.

Nominations

The Committee considers the composition of the Board annually and prepares recommendations for director nominees. In this process, the views and recommendations of the Board Chairman, the Chief Executive Officer, and all directors are sought and considered.

In 2006, the Matrikon Board appointed a Lead Director to maintain independence when the former president and CEO became Chairman of the Board.

We also discontinued our stock option program for directors and employees and introduced a restricted share unit (RSU) program in its place. The RSU program enables key contributors to share in Matrikon's growth and success and ensures that they are aligned with shareholder interests.

EXECUTIVE COMPENSATION

Summary Compensation Table for Named Executive Officers

Compensation for the Chief Executive Officers, the Chief Financial Officers, and the next three most highly compensated executive officers (Named Executive Officers) is summarized in the following table.

| Name | Fiscal Year | Annual Compensation | | | Long-Term Compensation | All Other Compensation (\$) |
|---|-------------|---------------------|-------------------------------------|--------------------------------|---|-----------------------------|
| | | Salary (\$) | Bonus/Commissions (\$) ⁹ | Other Annual Compensation (\$) | Securities Under Options Granted (# of Common Shares) | |
| Amin Rawji President & CEO ¹ | 2006 | 150,000 | 260,024 | NIL | NIL | \$16,063 ² |
| | 2005 | 150,000 | 414,364 | NIL | NIL | NIL |
| | 2004 | 150,000 | 152,612 | NIL | NIL | NIL |
| Nizar Somji Former President & CEO ³ | 2006 | 49,846 | 13,324 | NIL | NIL | NIL |
| | 2005 | 180,000 | 452,360 | NIL | NIL | NIL |
| | 2004 | 180,000 | 125,628 | NIL | NIL | NIL |
| Tariq Malik Chief Financial Officer ⁴ | 2006 | 51,282 | NIL | NIL | NIL | NIL |
| Nimal Rodrigo Former Chief Financial Officer ⁵ | 2006 | 137,500 | 2,380 | NIL | NIL | NIL |
| | 2005 | 132,500 | 24,062 | NIL | 100,000 | NIL |
| Randy Kondor Vice President, Marketing ⁸ | 2006 | NIL | 194,017 | NIL | NIL | NIL |
| | 2005 | NIL | 252,912 | NIL | NIL | NIL |
| | 2004 | NIL | 129,117 | NIL | NIL | NIL |
| Gordon Freund General Counsel | 2006 | 120,000 | 73,997 | NIL | NIL | \$18,294 ² |
| | 2005 | 120,000 | 67,814 | NIL | NIL | NIL |
| | 2004 | 120,000 | 52,300 | NIL | NIL | NIL |
| Ian Brown Vice President, Europe, Middle East, Africa ^{6,7} | 2006 | 153,776 | 200,148 | NIL | NIL | \$7,425 ² |
| | 2005 | 170,877 | 429,480 | NIL | NIL | NIL |
| | 2004 | 45,743 | 92,510 | NIL | NIL | NIL |

Notes:

- 1 Mr. Rawji was Executive Vice President from 2000 until July 17, 2005 when he was promoted to President. On December 9, 2005, Amin Rawji became Chief Executive Officer.
- 2 Other Compensation is for common shares received under Matrikon's Employee Stock Ownership Program valued using the closing price on the date the shares are issued. This program is available to all employees. Mr. Rawji received 3,649 common shares, Mr. Freund received 3,692 common shares and Mr. Brown received 1,350 common shares.
- 3 Mr. Somji was President & CEO until July 17, 2005, after which he remained CEO until December 10, 2005 when he became Chairman of the Board. Compensation received for board services is described in the section "Director Compensation"
- 4 Mr. Malik joined Matrikon on June 19, 2006.
- 5 Mr. Rodrigo joined Matrikon on October 13, 2004 and resigned effective July 31, 2006.
- 6 Mr. Brown joined Matrikon on May 19, 2004 in conjunction with the acquisition of PI Automation. His 2004 salary represents payments as an employee of Matrikon from that date until August 31, 2004.
- 7 Mr. Brown is paid in Euros, the amounts shown above are converted based on the exchange rate at the time of payment.
- 8 Mr. Kondor's compensation plan is commission only.
- 9 Bonuses paid to Mr. Rawji, Mr. Somji and Mr. Rodrigo for fiscal year 2005 have been restated from estimates to actual payouts which were not available at the date of the 2005 Information Circular.

LTIP – Awards for the Year Ended August 31, 2006

In 2006, Matrikon introduced a new long term incentive program based on Restricted Share Units for key employees and directors. This plan replaces the previous Stock Option Plan. Under the plan, key employees receive RSUs which vest over a period of three years. Once vested, the RSUs can be converted to common shares or equivalent Deferred Share Units (DSUs), at the option of each employee.

| Name | Securities, Units or Other Rights (RSUs) | Performance or Other Period Until Maturation or Payout |
|-----------------------------|--|---|
| Amin Rawji | 100,000 | Mature as follows: 25% 1-Sep-07; 33% 1-Sep-08; 42% 1-Sep-09 |
| Nizar J. Somji ¹ | NIL | |
| Tariq Malik | 30,000 | Mature as follows: 33 1/3% 1-Sep-07; 33 1/3% 1-Sep-08; 33 1/3% 1-Sep-09 |
| Nimal Rodrigo | NIL | |
| Randy Kondor | 40,000 | Mature as follows: 25% 1-Sep-07; 33% 1-Sep-08; 42% 1-Sep-09 |
| Gordon Freund | 20,000 | Mature as follows: 25% 1-Sep-07; 33% 1-Sep-08; 42% 1-Sep-09 |
| Ian Brown | 40,000 | Mature as follows: 25% 1-Sep-07; 33% 1-Sep-08; 42% 1-Sep-09 |

Notes:

- 1 Mr. Somji received RSUs as a director. See the details of the director RSU grant on page 11, "RSU Plan"

Share Ownership

The following table shows the shareholdings and options (exercisable and total) to acquire common shares by Named Executive Officers at October 26, 2006.

| Name | Shareholdings at 26-Oct-06 | Exercisable Options | Total Options | Market Value ¹ (26-Oct-06) |
|---------------|----------------------------|---------------------|---------------|---------------------------------------|
| Amin Rawji | 834,314 | NIL | NIL | \$2,502,942 |
| Nizar Somji | 9,891,210 | NIL | NIL | \$29,673,630 |
| Tariq Malik | NIL | NIL | NIL | - |
| Nimal Rodrigo | NIL | NIL | NIL | - |
| Randy Kondor | 69,456 | 46,656 | 46,656 | \$254,557 |
| Gordon Freund | 17,750 | 45,000 | 45,000 | \$106,950 |
| Ian Brown | 6,350 | NIL | NIL | \$19,050 |

Notes:

¹ Based on closing price of Matrikon shares on October 26, 2006. Market value includes the value of common shares held and the value of in the money options.

Aggregated Option Exercises During the Year Ended August 31, 2006 and Financial Year-End Option Values

The following table shows the exercise of options to acquire common shares by Named Executive Officers during the fiscal year ended August 31, 2006.

| Name | Securities Acquired on Exercise | Aggregate Value Realized | Unexercised Options at Financial Year-End | | Value of Unexercised In-the-Money Options at Financial Year-End | |
|---------------|---------------------------------|--------------------------|---|---------------|---|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Amin Rawji | NIL | NIL | NIL | NIL | NIL | NIL |
| Nizar Somji | NIL | NIL | NIL | NIL | NIL | NIL |
| Tariq Malik | NIL | NIL | NIL | NIL | NIL | NIL |
| Nimal Rodrigo | NIL | NIL | NIL | NIL | NIL | NIL |
| Randy Kondor | NIL | NIL | 45,656 | NIL | 50,855 | NIL |
| Gordon Freund | NIL | NIL | 45,000 | NIL | 58,200 | NIL |
| Ian Brown | NIL | NIL | NIL | NIL | NIL | NIL |

EQUITY COMPENSATION PLAN INFORMATION

The following table shows the compensation plans under which Matrikon's securities are authorized for issuance from treasury as of August 31, 2006.

| Plan Category | (A) Number of securities to be issued upon exercise of outstanding options and rights | Weighted average exercise price of outstanding options and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) |
|--|--|---|---|
| Stock Option Plan approved by shareholders January 24, 2002 | 844,865 | \$2.56 | 892,660 ¹ |
| Employee Stock Ownership Plan approved by shareholders January 24, 2002 | 83,385 | - | 1,926,144 ² |
| Restricted Share Unit Plan approved by shareholders December 9, 2005 | 1,363,500 | - | 1,745,771 ³ |

Notes:

- ¹ Grants of options under Matrikon's Stock Option Plan have been discontinued.
- ² It is management's intention to phase out Matrikon's Employee Stock Ownership Plan at the end of calendar year 2006 and replace it with a cash-based compensation plan.
- ³ With the termination of further grants under the Stock Option Plan and the Employee Stock Ownership Plan, this balance is effectively the number of securities remaining available for future issuance under equity compensation plans.

Stock Option Plan Details

| | |
|--------------------------|---|
| Overview | Matrikon's Stock Option Plan provides for the granting of options to purchase common shares to directors, officers, employees and consultants of Matrikon and its subsidiaries. |
| Note | Grants of options under the Stock Option Plan were discontinued in 2006 and have been replaced by the Restricted Share Unit (RSU) Plan. |
| Approved by shareholders | January 24, 2002 |

| | Plan Maximum | Options Outstanding | Options Exercised | Options Available for Future Grants |
|--|--------------|---------------------|-------------------|-------------------------------------|
| Balance as of August 31, 2006 | 3,500,000 | 844,865 | 1,762,475 | 892,660 ¹ |
| % of Common Shares outstanding as of August 31, 2006 | 11.27% | 2.72% | 5.67% | 2.87% |

Note:

- ¹ Grants of options under the Stock Option Plan were discontinued in 2006.

| | |
|--|--|
| Maximum percentage available to insiders | 10% of the shares outstanding at the time of issuance on a non-diluted basis, excluding shares issued to insiders under any other Share Compensation Arrangement. |
| Maximum number of securities any one person or company may receive | 5% of issued and outstanding shares on a non-diluted basis at the date of the grant. |
| Vesting of options | Determined by the Board; typically vesting on the one-year anniversary of the grant or on a vesting schedule over a three or four year period. |
| Term of stock options | Each option granted has a maximum term of 10 years and is exercisable on terms determined by the Board of Directors, including vesting. |
| Exercise price determination | The exercise price is set at the closing price of Matrikon's common shares on the Toronto Stock Exchange on the date of Board approval of the grant. If the Company is in a blackout period at the date of the board meeting approving the grant, the exercise price is set at the closing price on the date the blackout is lifted. |
| Assignability conditions | Non-transferable and non-assignable other than in the case of death. |
| Cessation of entitlement | If an optionee ceases to be a director, officer or employee of Matrikon for any reason other than death, each option is cancelled as of the date they cease to be a director, officer or employee, regardless of whether the person is terminated with or without cause. If an employee resigns, the options are cancelled as of the resignation date. |

In the case of death, the legal representative of the estate of the optionee may exercise any options that were otherwise exercisable at the time of death within 90 days following the death.

| | |
|--|---|
| Procedure for amending each arrangement (whether shareholder approval is required) | The board may amend, suspend or discontinue the plan at any time provided that the amendment is in accordance with the requirements of the Toronto Stock Exchange or any securities commission or regulatory body to which the plan is or may be subject to, except that they may not: <ul style="list-style-type: none"> ▪ Amend the plan to increase the maximum number of shares available for granting under the plan ▪ Change the manner of determining the exercise price |
|--|---|

| | |
|---|-----|
| Financial assistance to facilitate purchase of securities | Nil |
|---|-----|

| | |
|---|-----|
| Entitlements previously granted but subject to ratification of shareholders | Nil |
|---|-----|

Employee Stock Ownership Plan

| | |
|----------|---|
| Overview | Matrikon's Employee Stock Ownership Plan (ESOP) provides for the matching of Matrikon common shares purchased and held for a period of 16 months by directors, officers and employees of Matrikon and its subsidiaries. |
|----------|---|

| | |
|------|--|
| Note | The Matrikon ESOP program will be phased out at the end of the 2006 calendar year. |
|------|--|

| | Plan Maximum | Shares Matched to Date | Shares Registered for Matching | Shares Available for Future Registrations |
|--|--------------|------------------------|--------------------------------|---|
| Balance as of August 31, 2006 | 2,200,000 | 273, 856 | 83,385 | 1,926,144 ¹ |
| % of Common Shares outstanding as of August 31, 2006 | 7.08% | 0.88% | 0.27% | 6.20% ¹ |

Note:

1. The Matrikon ESOP program will be phased out at the end of the 2006 calendar year.

| | |
|---|---|
| Maximum number of securities any one person or company may receive (including insiders) | The value of the shares registered for matching in any plan year is a maximum of 10% of the annual compensation of the employee in the preceding calendar year or \$12,000, whichever is less. The value of the shares available for matching is set at the closing price of Matrikon's common shares on the Toronto Stock Exchange on the date of the enrolment period. There are four enrolment periods annually, which are presently set at the last business day of the calendar quarter. |
|---|---|

| | |
|----------|---|
| Matching | Shares are matched on a 1 for 2 basis if the registered employee still holds the Matrikon common shares 16 months after the enrolment date. |
|----------|---|

| | |
|------------------------------|--|
| Exercise price determination | Matched shares are issued from treasury with no consideration paid by the plan registrant. |
|------------------------------|--|

| | |
|--------------------------|--------------------------------------|
| Assignability conditions | Non-transferable and non-assignable. |
|--------------------------|--------------------------------------|

| | |
|--------------------------|---|
| Cessation of entitlement | ESOP participant's right to the ESOP matching ceases on the date the participant is no longer a director, officer or employee of Matrikon for any reason, regardless of whether the person is terminated with or without cause. |
|--------------------------|---|

| | |
|--|--|
| Procedure for amending each arrangement (whether shareholder approval is required) | Matrikon, through the ESOP administrative committee, may make amendments or terminate the ESOP program at any time, provided the amendment is in accordance with the requirements of the Toronto Stock Exchange or any securities commission or regulatory body to which the plan is or may be subject to. |
|--|--|

| | |
|---|-----|
| Financial assistance to facilitate purchase of securities | Nil |
|---|-----|

| | |
|---|-----|
| Entitlements previously granted but subject to ratification of shareholders | Nil |
|---|-----|

Restricted Share Unit Plan

| | | | | |
|--|--|---------------------|----------------------------------|---|
| Overview | Matrikon's Restricted Share Unit (RSU) plan provides for the granting of RSUs to directors, officers and employees of Matrikon and its subsidiaries. | | | |
| Approved by shareholders | December 9, 2005 | | | |
| | Plan Maximum¹ | RSUs Granted | RSUs Exchanged for Shares | RSUs Available for Future Issuance |
| Balance as of August 31, 2006 | 3,109,271 | 1,363,500 | Nil | 1,745,771 |
| % of Common Shares outstanding as of August 31, 2006 | 10.01% | 4.39% | 0.00% | 5.62% |
| Note: | | | | |
| 1. 10% of the shares outstanding at the time of grant on a non-diluted basis, less the aggregate number of shares reserved for issuance under this or other share compensation arrangements. | | | | |
| Maximum percentage available to insiders | 10% of the shares outstanding at the time of grant on a non-diluted basis, less the aggregate number of shares reserved for issuance to insiders under this or any other share compensation arrangement. | | | |
| Maximum number of securities any one person or company may receive | 5% of issued and outstanding shares on a non-diluted basis at the date of the grant. | | | |
| Vesting of RSUs | Determined by the Board; typically vesting on the one-year anniversary of the grant or on a vesting schedule over a three year period. | | | |
| Term of RSUs | <p>Vesting dates for RSU grants may not exceed three years after the end of the calendar year in which they are allocated to a participant.</p> <p>Upon maturation of the RSU, each participant may elect to receive common shares of Matrikon or convert the RSUs into DSUs. DSUs are not convertible to common shares until such time as the participant ceases to be a director, officer or employee of Matrikon.</p> | | | |
| Assignability conditions | Non-transferable and non-assignable other than in the case of death. | | | |
| Cessation of entitlement | <p>All rights to unvested RSUs granted to a participant become null and void upon the effective date that the participant ceases to be an employee, officer or director of Matrikon.</p> <p>In the event of the death of a participant, RSU shares will be issued to the estate of the participant as soon as practicable after the death of the participant.</p> | | | |
| Procedure for amending each arrangement (whether shareholder approval is required) | The board may amend, suspend or discontinue the plan at any time provided that the amendment is in accordance with the requirements of the Toronto Stock Exchange or any securities commission or regulatory body to which the plan is or may be subject to. | | | |
| Financial assistance to facilitate purchase of securities | Nil | | | |
| Entitlements previously granted but subject to ratification of shareholders | Nil | | | |

REPORT ON EXECUTIVE COMPENSATION

The Compensation and Governance Committee, which is composed of three independent directors, reviews and approves Matrikon's compensation program for executive officers.

The primary objectives of Matrikon's compensation program are to enable the company to attract, motivate and retain outstanding individuals and to align their success with that of Matrikon's shareholders through the achievement of strategic corporate objectives and the creation of shareholder value. The level of compensation paid to an executive is based on the executive's overall experience, responsibility and performance.

Compensation of executive officers for 2006 was comprised of two elements:

- Base salary (30-60% of total compensation)
- Short term incentives in the form of cash bonuses (40-80% of total compensation). Performance bonuses are calculated based on the achievement of revenue and earnings growth targets and other individual behavioural objectives.

Compensation of executive officers for 2007 is comprised of five elements, with some variation depending on area of responsibility and individual objectives:

- Base salary (25–33% of total compensation)
- Long-term incentive in the form of RSUs (20-30% of total compensation)
- Short term incentives in the form of cash bonuses (25-50% of total compensation):
 - Company wide performance bonus for meeting specific overall growth targets (8-30% of total compensation)
 - Area of responsibility performance bonus for meeting area-specific objectives (15-25% of total compensation)

Performance bonuses are calculated based on parameters such as the achievement of target revenue and earnings growth and individual behavioural objectives which could include such metrics as employee retention or office growth.

Other compensation includes medical and insurance benefits, which are also generally available to all employees.

Refer to the description under the heading **Compensation** on page 16 (Compensation and Governance Committee Report) for additional information.

Base Salaries

Matrikon's approach to base salaries is to offer amounts which are slightly below par with industry peers, with greater emphasis placed on pay for performance through variable compensation plans. No formal benchmarks or reviews have been performed for fiscal 2006 executive compensation, however an independent study is planned for fiscal 2007. Actual individual salary levels are based on a number of factors, including the individual's performance, responsibilities and experience and reflect the contribution of each executive officer.

Short-Term Incentive Compensation – Bonuses

Matrikon believes that incentive pay encourages employees to contribute to overall performance. Thus, in addition to base salaries, Matrikon awards cash bonuses to executives based on achieving individual performance targets including certain revenue and net income goals in relation to the company's annual plan as approved by the Board. The bonus plan is restructured annually to motivate specific behaviours. In some instances, the Committee also awards discretionary bonuses to certain of these executives at the conclusion of the year.

Long-Term Incentive Compensation – Restricted Share Units (RSUs)

For fiscal year 2007, we have implemented an executive compensation strategy that replaces option grants to key employees in favor of granting restricted share units (RSUs).

Matrikon's RSU plan is intended to encourage key employees and directors to acquire a proprietary interest in Matrikon and thus provide additional incentive to further Matrikon's growth and development while aligning the interests of these employees with those of our shareholders.

The RSU Plan was approved by shareholders on December 9, 2005. Matrikon's employees, officers and directors are eligible to participate in the RSU Plan.

Subject to the vesting requirements (continued employment with Matrikon), each RSU will be exchangeable for one common share or one Deferred Share Unit (DSU) at the employee's election. The number of RSUs granted are based on the Executive's position, the need for retention incentives, and typically, as part of a multi-year approach to the Executive's compensation.

Long-Term Incentive Compensation - Employee Stock Ownership Program

Eligible employees and directors are entitled to participate in Matrikon's employee stock ownership program (ESOP), which was designed to encourage employees to become shareholders of the company. Employees, including Named Executive Officers, are eligible to receive one common share for every two common shares purchased and held for a period of 16 months, with certain restrictions. Nizar J. Somji is not eligible to participate in the plan. Shares held by employees under the program are eligible for matching only once. To date, Matrikon has issued 273,856 common shares under ESOP.

Compensation of Chief Executive Officer

Both Nizar J. Somji & Amin Rawji acted as CEO in the 2006 fiscal year. The compensation philosophy for both was similar and included:

- Base salary (30-60% of total compensation)
- Short term incentives in the form of cash bonuses (40-80% of total compensation). Performance bonuses are calculated based on the achievement of revenue and earnings targets.

Employment Contracts

Matrikon does not have any employment contracts, plans, arrangements or agreements to compensate Named Executive Officers in excess of \$100,000 in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change of responsibilities following a change of control.

Indebtedness of any Directors, Executive Officers and Senior Officers

Management is not aware of any indebtedness outstanding by its directors, senior officers or executive officers to the company, or any guarantees, support agreements, letters of credit or other similar arrangements provided by Matrikon to any of its directors, senior officers or executive officers, at any time since the commencement of the last completed fiscal year.

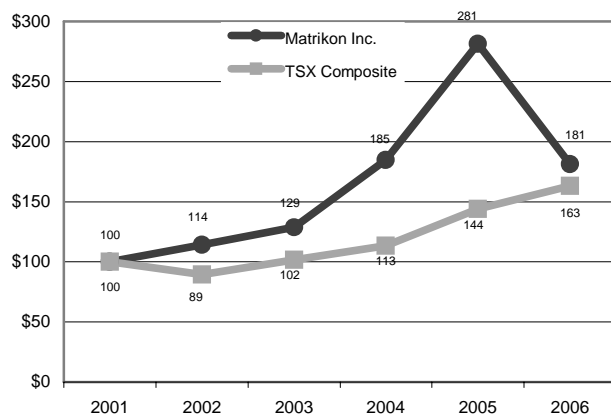
Submitted on behalf of the Board of Directors,

C. Kent Jespersen (Chairman of the Compensation and Governance Committee)

Hugh Bolton
Michael Percy

PERFORMANCE GRAPH

The following graph illustrates the cumulative shareholder return for \$100 invested in Matrikon common shares on August 31, 2001 in comparison to the total shareholder return of Standard & Poor's TSX Composite Index (formerly the TSE 300 Composite Index) for the five most recently completed financial years. Matrikon's trading symbol on the Toronto Stock Exchange is MTK.



| | TSX Composite | Matrikon Closing Price (\$) | TSX Composite Investment | Matrikon Common Shares |
|-----------|---------------|-----------------------------|--------------------------|------------------------|
| 31-Aug-06 | 12,073.75 | 3.10 | 163.18 | 181.29 |
| 31-Aug-05 | 10,668.94 | 4.81 | 144.19 | 281.29 |
| 31-Aug-04 | 8,377.03 | 3.16 | 113.22 | 184.80 |
| 31-Aug-03 | 7,510.32 | 2.20 | 101.50 | 128.65 |
| 31-Aug-02 | 6,611.95 | 1.95 | 89.36 | 114.04 |
| 31-Aug-01 | 7,399.22 | 1.71 | 100.00 | 100.00 |

DIRECTORS' AND OFFICERS' INSURANCE

Matrikon has purchased, at its expense, insurance covering liability of directors and officers of Matrikon and its subsidiaries, including defence costs, incurred as a result of their acting as such, except in the case of failure to act honestly and in good faith. The policy provides coverage against certain risks in situations where Matrikon may be prohibited by law from indemnifying the directors or officers.

ADDITIONAL INFORMATION

Additional information relating to Matrikon's business is available on SEDAR at www.sedar.com or on Matrikon's website at www.matrikon.com/investors.

Additional financial information about Matrikon is provided in our comparative consolidated financial statements for the year ended August 31, 2006 and the related Management's Discussion and Analysis.

Copies of these documents, along with Matrikon's annual information form for the fiscal year ended August 31, 2006 and documents incorporated by reference, additional interim financial statements for periods subsequent to August 31, 2006 and additional copies of this Information Circular are available on request.

Direct your request for materials to:

By Mail: Investor Relations
Matrikon Inc.
1800, 10405 Jasper Avenue
Edmonton, AB T5J 3N4

By Phone: 780-448-1010 in Edmonton and area
877-628-7456 elsewhere

By Fax: 780-448-9191

By Email: ir@matrikon.com

Or Online: www.matrikon.com/investors

APPROVAL OF DIRECTORS

Matrikon's Board of Directors has approved the contents and the sending of this Information Circular to the shareholders.

APPENDIX 1 - STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Matrikon's Board believes in the importance of maintaining sound corporate governance practices, and has therefore established the Compensation and Governance Committee to periodically review, evaluate and modify governance processes as necessary.

The following table summarizes Matrikon's governance procedures according to National Instrument 58-101.

| CSA Corporate Governance Guideline | Comments |
|--|--|
| 1. Board of Directors | |
| (a) Disclose the identity of directors who are independent | <p>The independent directors are:</p> <p>Hugh J. Bolton C. Kent Jespersen David Kramer Robert Moore Michael B. Percy Janice G. Rennie</p> <p>The Board evaluates individual director independence based on Multilateral Instrument 52-110 Section 1.4</p> |
| (b) Disclose the identity of directors who are not independent, and describe the basis for that determination | Nizar J. Somji, founder and former president & CEO of Matrikon and Amin Rawji, president & CEO of Matrikon are the only directors who are not considered independent under Multilateral Instrument 52-110 Section 1.4 |
| (c) Disclose whether or not a majority of directors are independent | Six of Matrikon's eight current directors (75%) are independent. |
| (d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer | All directorships with other public entities for each director are disclosed in the 2006 annual report (page 20) and information circular (pages 7-9) |
| (e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. | <p>The independent directors regularly hold <i>in camera</i> sessions at in person board and committee meetings. The Audit Committee also holds <i>in camera</i> sessions with the external auditors and with management.</p> <p>FY2006 In Camera Sessions Board: 2 Audit Committee: 3 Compensation & Governance Committee:..... 1</p> |
| (f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. | <p>The board chairman, Nizar J. Somji is not an independent director. Mr. Somji's responsibilities are detailed in the Chair's Position Description, available on our website at www.matrikon.com/investors.</p> <p>Hugh Bolton is the independent lead director. Lead director responsibilities are detailed in the Lead Director's Position Description, available on our website at www.matrikon.com/investors. Mr. Bolton became lead director on December 10, 2005. Prior to that, he served as the independent board chair since March 29, 2001.</p> |

| CSA Corporate Governance Guideline | Comments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|----------------|--------------------|----------------|---|-------------|-----------|-------|------|----------------|-----------|-------|------|--------------|-----------|-------|------|--------------|-----------|-------|------|---------------|-----------|------|-----|------------|-----------|-------|------|---------------|-----------|-------|------|----------------|-----------|-------|------|
| (g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year. | <table border="1"> <thead> <tr> <th>Director</th> <th>Committee Meetings</th> <th>Board Meetings</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Hugh Bolton</td> <td>6/6</td> <td>10/10</td> <td>100%</td> </tr> <tr> <td>Kent Jespersen</td> <td>6/6</td> <td>10/10</td> <td>100%</td> </tr> <tr> <td>David Kramer</td> <td>7/7</td> <td>10/10</td> <td>100%</td> </tr> <tr> <td>Robert Moore</td> <td>7/7</td> <td>10/10</td> <td>100%</td> </tr> <tr> <td>Michael Percy</td> <td>4/6</td> <td>8/10</td> <td>75%</td> </tr> <tr> <td>Amin Rawji</td> <td>n/a</td> <td>10/10</td> <td>100%</td> </tr> <tr> <td>Janice Rennie</td> <td>7/7</td> <td>10/10</td> <td>100%</td> </tr> <tr> <td>Nizar J. Somji</td> <td>n/a</td> <td>10/10</td> <td>100%</td> </tr> </tbody> </table> <p>The Board has established a minimum meeting attendance policy of 80%. Attendance of less than this amount would without extenuating circumstances would be a cause for concern. Mr. Percy was absent from two teleconference meetings which were called on short notice and from one board meeting and one committee meeting (held on the same day) when he was out of the country.</p> | Director | Committee Meetings | Board Meetings | % | Hugh Bolton | 6/6 | 10/10 | 100% | Kent Jespersen | 6/6 | 10/10 | 100% | David Kramer | 7/7 | 10/10 | 100% | Robert Moore | 7/7 | 10/10 | 100% | Michael Percy | 4/6 | 8/10 | 75% | Amin Rawji | n/a | 10/10 | 100% | Janice Rennie | 7/7 | 10/10 | 100% | Nizar J. Somji | n/a | 10/10 | 100% |
| Director | Committee Meetings | Board Meetings | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hugh Bolton | 6/6 | 10/10 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Kent Jespersen | 6/6 | 10/10 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| David Kramer | 7/7 | 10/10 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Robert Moore | 7/7 | 10/10 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Michael Percy | 4/6 | 8/10 | 75% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amin Rawji | n/a | 10/10 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Janice Rennie | 7/7 | 10/10 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nizar J. Somji | n/a | 10/10 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Board Mandate | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Disclose the text of the board's written mandate. | <p>Matrikon's Charter of Expectations for the Board and Individual Directors is available on our website at www.matrikon.com/investors and was included as Appendix 2 to our information circular for our December 9, 2005 annual and special meeting (the "2005 Circular"), filed on SEDAR at www.sedar.com and such appendix is incorporated by reference herewith.</p> <p>The Board Charter discusses the responsibilities of the board and individual directors and the Board's involvement in Matrikon's strategic planning process.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Position Descriptions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. | Position descriptions are available on our website at www.matrikon.com/investors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (b) Disclose whether or not the board and CEO have developed a written position description for the CEO. | A position description for the CEO is available on our website at www.matrikon.com/investors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Orientation & Continuing Education | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (a) Briefly describe what measures the board takes to orient new directors regarding | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (i) the role of the board, its committees and its directors, and | The Board Charter of Expectations outlines Matrikon's expectations with respect to director behaviour, roles and responsibilities. Each committee has a Terms of Reference that outline the specific responsibilities of the committee. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (ii) the nature and operation of the issuer's business. | <p>Arrangements are made for specific briefing sessions from appropriate senior personnel to help new directors better understand Matrikon's strategies and operations.</p> <p>Senior managers and other Matrikon employees make frequent presentations at board meetings on a variety of business issues and strategies. In addition, external resources occasionally present at board meetings (insurance agents, health & safety consultant)</p> <p>Directors are invited to attend various Matrikon events, including the sales conference, employee appreciation dinner and annual user conference (MVP). Through these events, they have an opportunity to meet with employees and clients and learn more about our business and our</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| CSA Corporate Governance Guideline | Comments |
|---|---|
| | <p>technology.</p> <p>Directors may also attend industry conferences at Matrikon's expense.</p> |
| (b) Briefly describe what measures the board takes to provide continuing education for its directors. | <p>Subject to board approval, directors may enrol in professional development courses at Matrikon's expense.</p> <p>No directors were enrolled in professional development courses at Matrikon's expense in 2006.</p> |
| 5. Ethical Business Conduct | |
| (a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: | Matrikon has a Business Code of Conduct that is applicable to all directors, officers and employees. |
| (i) disclose how a person or company may obtain a copy of the code | <p>Our Business Code of Conduct is available on our web site: www.matrikon.com and on SEDAR at www.sedar.com.</p> <p>It will be mailed to anyone requesting it by contacting Matrikon's investor relations department at 1-877-MATRIKON extension 4010</p> |
| (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code | <p>All new employees are required to read and sign off of the Code as part of the orientation process.</p> <p>Employees are reminded annually about Matrikon's policies, including the Business Code of Conduct, as part of the annual performance review process.</p> |
| (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code | The Board has not granted any waiver of the Code of Conduct nor has a material change report been required or filed. |
| (b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest | <p>Matrikon's Business Code of Conduct outlines our conflict of interest guidelines.</p> <p>If a director has a material interest in a specific topic, they are not permitted to be present when the matter is discussed or voted upon. Care is taken to ensure all director conflicts are documented in the meeting minutes.</p> |
| (c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct. | <p>Ethical business conduct is a constant focus of the Board.</p> <p>Board members are encouraged to interact with employees and members of the management team.</p> |
| 6. Nomination of Directors | |
| (a) Describe the process by which the board identifies new candidates for board nomination. | The Compensation and Governance Committee is responsible for identifying new candidates for recommendation to the board. See the Compensation & Governance Committee Terms of Reference for additional detail on director candidate identification. |
| (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. | The Compensation and Governance Committee is responsible for director nominations and is composed entirely of independent directors. |

| CSA Corporate Governance Guideline | Comments |
|---|--|
| (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee. | See the Compensation & Governance Committee Terms of Reference available on our website at www.matrikon.com/investors and was Appendix 10 to the 2005 Circular, filed on SEDAR at www.sedar.com . |
| 7. Compensation | |
| (a) Describe the process by which the board determines the compensation for the issuer's directors and officers. | See the report on executive compensation (page 23) and director compensation (page 10) contained in the 2006 information circular. |
| (b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. | The compensation and governance committee is composed entirely of independent directors. |
| (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee. | See the compensation and governance committee report (page 16) of the 2006 information circular and the compensation & governance committee Terms of Reference available on our website at www.matrikon.com/investors and as Appendix 10 to the 2005 circular, filed on SEDAR at www.sedar.com . |
| (d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. | No compensation consultants or advisors were retained in fiscal year 2006. |
| 8. Other Board Committees | |
| If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function. | None |
| 9. Assessments | |
| Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively. | The Compensation and Governance Committee has the responsibility for assessing the board's effectiveness as a whole, as well as the effectiveness of the individual directors and the committee's of the board. A board performance review is conducted annually with the findings reported to the board. The assessment process examines the effectiveness of the board as a whole and specifically reviews areas that board members believe could be improved to ensure the continued effectiveness of the board in the execution of its responsibilities. A questionnaire addressing board responsibility, organization, operations, communications and effectiveness is completed by each director. The chairman of the board compiles the results of the questionnaire. A separate evaluation of the board Chairman is conducted by the chair of the Compensation and Governance committee. |