CONFLICT MINERALS POLICY

1.0 Purpose

Section 1502 (the Conflict Minerals Statutory Provision) of the Dodd-Frank Wall Street Reform and Consumer Protection Act required the Securities and Exchange Commission to issue new disclosure and reporting obligations for issuers concerning "Conflict Minerals" that originate in the Democratic Republic of the Congo ("**DRC**") or an adjoining country. The SEC has adopted new rules and a new form relating to the use of Conflict Minerals that apply to CAE and impose additional disclosure requirements on CAE if we use Conflict Minerals in, or to produce, our products.

Compliance with the new rules is required beginning with the year ending December 31, 2013, with affected issuers submitting the initial Form SD by May 31, 2014.

The term "**Conflict Mineral**" means (1) **columbite-tantalite, also known as coltan** (the metal ore from which tantalum is extracted); **cassiterite** (the metal ore from which tin is extracted); **gold**; **wolframite** (the metal ore from which tungsten is extracted); or their derivatives; or (2) **any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the DRC** or a Covered Country. The new reporting requirements apply to these four minerals and their derivatives of tantalum, tin and tungsten.

"**Covered Country**" means DRC and a country that shares a border with the DRC, which currently includes Angola, Burundi, Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.

The rule exempts any Conflict Minerals that are "outside the supply chain". Conflict Minerals are outside the supply chain if, by January 31, 2013, they have been fully smelted or refined; or they are located outside the Covered Countries.

As CAE is required to comply with this new US law, this policy describes the compliance process that CAE will follow to meet that obligation.

2.0 Effective Date; Roles & Responsibilities

Issuance date.

2.1 Roles and Responsibilities

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Global Strategic Sourcing ("GSS") Corporate is the owner of this policy and shall ensure CAE disclosure requirements comply with the rule. GSS shall ensure assessments of materials and parts, apply the procurement rules, and flow down the applicable requirements to all suppliers through purchasing terms and conditions.

Global Quality Assurance will audit compliance to this policy.

Hardware Engineering will control the material requirements in the engineering documentation in accordance with this policy.

Corporate Finance will be responsible for financial reporting in accordance with the rule.

For initial assessments or when new business units are acquired, **Global Quality Assurance** will coordinate the implementation of processes related to this policy.

Requirements of this policy apply to all CAE business units and products worldwide. All CAE business units purchasing materials & parts and/or fabricating, manufacturing, or subcontracting out hardware activities must assess their materials and parts to determine whether they are affected by the rules set out in this Policy. The following CAE business units / sites are currently affected as of the Effective Date hereof: **Civil and Military Simulation Products (SP) in Montreal, MAD/AIMS in Montreal, SP Tampa, SP Germany, SP India, Healthcare Sarasota/Montreal, Mining in Montreal, and Integrated Enterprise Solutions (IES) in Ottawa**. Note that any CAE business unit by its actions in respect of Conflict Minerals may render itself subject hereto after the Effective Date.

3.0 Policy

3.1 CAE shall not use Conflict Minerals originating from the Covered Countries in, or to produce, our products. All CAE employees should strive to achieve this result.

3.2 CAE will determine whether there are any Conflict Minerals that are necessary to the functionality or production of a product manufactured or contracted to be manufactured by CAE.

3.3 CAE will not specify or negotiate contractual terms with a manufacturer or other sub-component supplier so as to exercise a degree of influence over the manufacturing of the product to dictate the use of Conflict Minerals unless their use represents a special

technique or requirement as deemed necessary by Engineering. Engineering must notify GSS each time it makes such a determination so that GSS is able to ensure the procurement then follows this CAE policy. In such special cases CAE GSS will ensure these Conflict Minerals are "conflict free" meaning they are proven by our suppliers to have an origin outside the Covered Countries.

3.4 CAE must ensure our manufacturing limits the use of Conflict Minerals to applications where no substitute exists to achieve the following:

(1) does not intentionally include a Conflict Mineral in the product's production process, other than if it is included in a tool, machine or equipment used to produce the product **(such as computers, power lines, drill machines & bits, soldering irons, welding electrodes, and hand tools);**;

(2) does not include a Conflict Mineral in the product; and

(3) does not necessitate the use of a Conflict Mineral to produce the product.

3.5 The new rules adopt a three-step analytic process to guide issuers through the applicable disclosure requirements. Depending on the outcome of the analysis, CAE may have to submit a report to the SEC that includes a description of the measures it took to exercise due diligence on the Conflict Mineral's source and chain of custody.

3.6 Step 1: If CAE determines that its products do not involve or it does not influence the use of Conflict Minerals after undertaking the analysis described above, CAE is not required to take any action, make any disclosure, or submit any reports under the new rules. CAE does not need to perform Steps 2 or 3. However, if CAE determines that it is subject to the new rules, it will have additional disclosure obligations and will need to proceed with the analysis in Step 2 to determine the nature and extent of its disclosure obligations.

3.7 Step 2: If CAE determines it is subject to the new rules, we must conduct a "reasonable country of origin inquiry" (RCOI) and thereafter file a Form SD. The RCOI is intended to determine whether the Conflict Minerals in the issuer's products originated from a Covered Country or from recycled or scrap sources.

The SEC did not provide guidance on the actions CAE must take in order to undertake a RCOI; instead, it noted that each such inquiry depends upon the issuer's facts and circumstances and that any RCOI must be undertaken in "good faith" by CAE. While the SEC did not prescribe the steps required for a RCOI, it did note that CAE would satisfy

the RCOI standard if it "seeks and obtains reasonably reliable representations indicating the facility at which its Conflict Minerals were processed and demonstrating that those Conflict Minerals did not originate in Covered Countries or were from recycled or scrap sources."

After conducting the RCOI, CAE must file a Form SD. The disclosures in the Form SD will vary depending on the findings of the RCOI. If, based on the RCOI, CAE (a) knows that its Conflict Minerals did **not** originate in the Covered Countries or did come from recycled or scrap sources, or (b) has no reason to believe that the Conflict Minerals may have originated in the Covered Countries and may not be from recycled or scrap sources, then CAE is required to file a Form SD, but it is not required to prepare or file the more detailed Conflict Minerals Report discussed below. The Form SD should (1) disclose CAE's determination, (2) describe the RCOI it undertook in reaching the determination and (3) disclose the results of the inquiry. CAE is also required to make its description publicly available on its Internet website and provide its Internet URL in the Form SD. CAE does not need to perform Step 3; skip to section 3.11.

If, however, based on its RCOI, CAE knows or has reason to believe that the Conflict Minerals (1) may have originated in the Covered Countries and (2) may not be from recycled or scrap sources, then CAE must undertake "due diligence" in Step 3 on the source and chain of custody of its Conflict Minerals.

3.8 Step 3: If, based on its RCOI discussed above in section. 3.7, CAE determines that its Conflict Minerals did originate from a Covered Country or CAE has reason to believe that such minerals may have originated in a Covered Country and are not from recycled or scrap sources, it is required to file a Conflict Minerals Report with its Form SD.

3.9 The Conflict Minerals Report will state CAE's determination as to whether its products are (1) DRC Conflict Free or (2) Not DRC Conflict Free. The Conflict Minerals Report must be audited.

3.10 The SEC rules provide for a temporary category – "DRC Conflict Undeterminable" - if CAE is unable to determine whether the Conflict Minerals in our products originated in a Covered County or financed or benefited armed groups in Covered Countries.

The rules provide a temporary transition period for two years. During this temporary transition period, CAE may describe our products as "DRC Conflict Undeterminable" if we are unable to determine that our minerals meet the statutory definition of "DRC Conflict Free" for either of two reasons:

(1) we proceeded to Step 3 based upon the conclusion, after our RCOI, that we had Conflict Minerals that originated in the Covered Countries and, after the exercise of due diligence, we are unable to determine if our Conflict Minerals financed or benefited armed groups in the Covered Countries, or

(2) we proceeded to Step 3 based upon the conclusion, after our RCOI, that we have reason to believe that our Conflict Minerals may have originated in the Covered Countries and may not have come from recycled or scrap sources and the information we gathered as a result of our subsequently required exercise of due diligence failed to clarify:

(a) the Conflict Minerals' country of origin
(b) whether the Conflict Minerals financed or benefited armed groups in those countries or
(c) whether the Conflict Minerals came from recycled or scrap sources

However, if these products also contain Conflict Minerals that CAE knows directly or indirectly financed or benefited armed groups in the Covered Countries, CAE may not describe those products as "DRC Conflict Undeterminable." Also, during the transition period, issuers with products that may be described as "DRC Conflict Undeterminable" are not required to have the otherwise required audit of the Conflict Minerals diligence. Such issuers, however, must still file a Conflict Minerals Report describing their due diligence, and must additionally describe the steps they have taken or will take, if any, since the end of the period covered in their most recent prior Conflict Minerals Report, to mitigate the risk that their Conflict Minerals benefit armed groups, including any steps to improve their due diligence.

3.11 Reporting on a Form SD is based on a calendar year. If CAE uses Conflict Minerals necessary to the functionality or production of a product we manufacture or contract to be manufactured, we are required to file a Form SD by May 31 of each year, reporting on all products completed in the preceding calendar year.

3.12 CAE must make its Conflict Minerals disclosure or its Conflict Minerals Report available on our public website for one year.

Below please find a flowchart to help you understand the reporting requirements.

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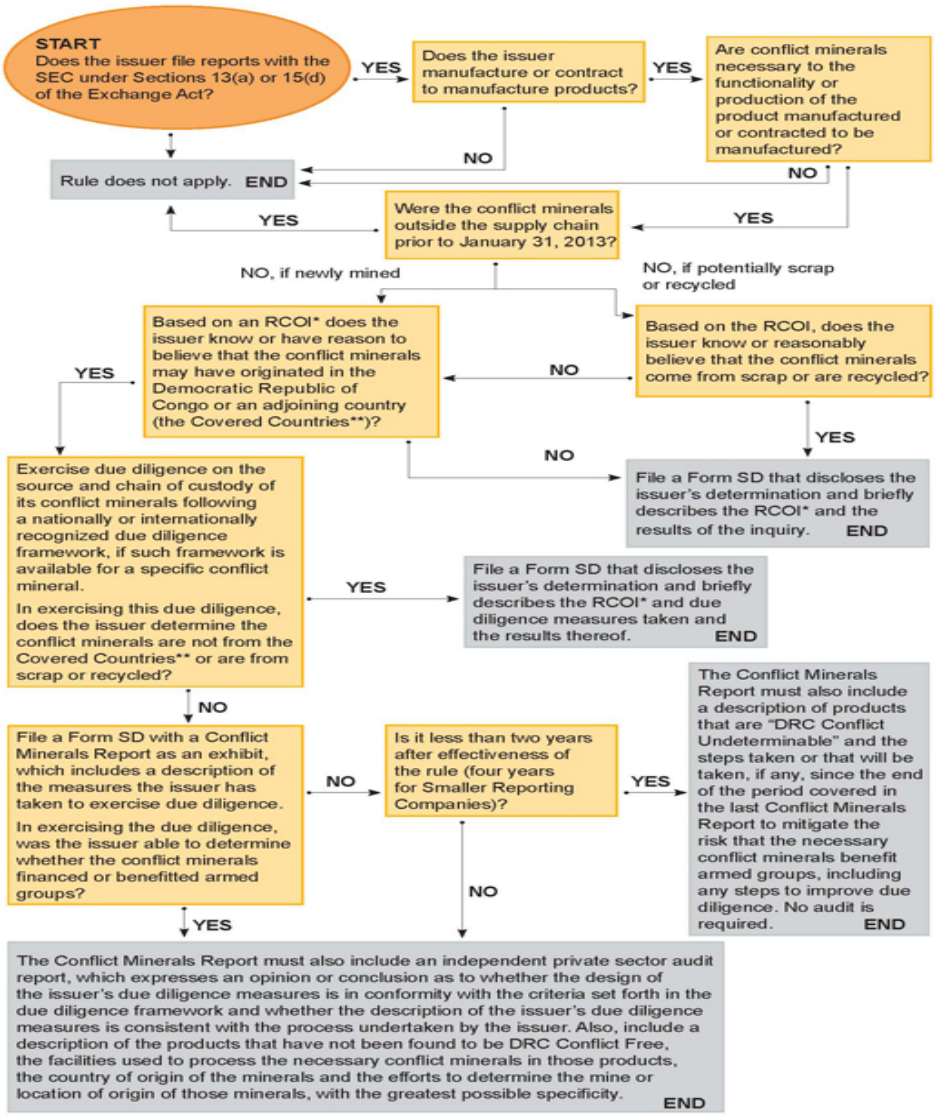
FLOWCHART SUMMARY OF THE SEC'S FINAL RULE ON THE USE OF CONFLICT MINERALS



Based on information in SEC Release No. 34-67716; File No. S7-40-10

* Reasonable Country of Origin Inquiry

** The Covered Countries are described as countries that share an internationally recognized border with the Democratic Republic of Congo – at present, Angola, Burundi, Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia