



RuggedCom Inc.

**Annual Information Form
For The Fiscal Year Ended March 31, 2008**

June 20, 2008

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APPENDIX A – Audit Committee Charter

GENERAL MATTERS AND FORWARD-LOOKING INFORMATION

Information contained in this Annual Information Form ("AIF") is given as at March 31, 2008. Unless otherwise noted or the context otherwise indicates, "RuggedCom", the "Company", "we", "us", "our" and "our company" refers to RuggedCom Inc. and its subsidiaries. Unless otherwise indicated, all dollar amounts in this AIF are expressed in U.S. dollars. References to "\$" or "U.S." are to U.S. dollars and references to "C\$" are to Canadian dollars.

Forward-Looking Statements

Certain statements in this AIF, particularly statements regarding future economic performance and finances, plans, expectations and objectives of management, may constitute "forward-looking" statements which reflect our current views with respect to future events and financial performance. When used in this AIF, such forward-looking statements use words such as "may", "will", "expect", "believe", "anticipate", "plan", "intend", "estimate", "project", "continue" and other similar terminology of a forward-looking nature or negatives of those terms. These forward-looking statements are based on certain assumptions by management, certain of which are set out herein. The forward-looking statements appearing in this AIF reflect current expectations regarding future events and operating performance and speak only as of the date of this AIF.

Although management believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors and should not be read as guarantees of future performance or results. Accordingly, there are or will be a number of significant factors which could cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual future results, performance or achievements to differ materially include, but are not limited to, our ability to manage our growth, our reliance on key personnel, growth in our key markets, our dependence on the electric power industry, increased efforts by competitors to compete in our markets, our reliance on third-party suppliers and contract manufacturers, our reliance on third-party channel partners, our dependence on licensed intellectual property, potential infringement by us of others' intellectual property rights, including our use of open source software, rapid technological changes, potential product liability claims, foreign exchange fluctuations and international risk, and changes in environmental and other regulation.

RuggedCom is subject to significant risks and any past performance is no guarantee of future performance. RuggedCom cannot predict all of the risk factors, nor can it assess the impact, if any, of such risk factors on RuggedCom's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. This AIF offers a brief overview of some of the risk factors to be considered in relation to RuggedCom's business. This list may not be exhaustive and new risk factors emerge from time to time. Please see the section "Risk Factors" for further information. We disclaim any intention or obligation to publicly update or revise any forward-looking statements after distribution of this AIF, whether as a result of new information, future events or other circumstances, except as may be required pursuant to applicable securities laws.

CORPORATE STRUCTURE

Name and Incorporation

RuggedCom Inc. was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") by articles of incorporation dated February 22, 2001 under the name RuggedCom Inc. On incorporation, our authorized share capital consisted of an unlimited number of Class "A" Special shares, Class "B" Special shares, Class "C" Special shares and common shares. Since then, our articles have been amended to change our authorized share capital and the terms of the various classes of shares.

Effective August 28, 2001 our articles were amended to delete the authorized and unissued Class "A" Special shares, Class "B" Special shares, Class "C" Special shares and we were authorized to issue an unlimited number of Class "A" Special shares and common shares. By articles of amendment effective July 25, 2003, the share conditions were amended to delete the Class "A" Special shares and provide for an unlimited number of Class A Shares.

At a special meeting of our shareholders held May 25, 2007, articles of amendment were approved to, among other things, (i) remove the restrictions on the transfer of our common shares, (ii) consolidate the issued and outstanding common shares on a one-for-four basis, (iii) delete the Class A Shares as an authorized class effective on closing of the Company's initial public offering (the "IPO"), and (iv) provide the board of directors with the authority to increase the size of the board between annual meetings of shareholders in accordance with the provisions of the OBCA. Prior to the closing of the IPO, we filed articles of amendment to make the foregoing amendments to the articles of the Company.

Holders of Class A Shares had a right to convert any or all of their Class A Shares into common shares of the Company at any time and from time to time on the basis of one post-consolidation common share for four Class A Shares being converted, subject to certain adjustments. Holders of Class A Shares could elect to convert all or a portion of their Class A Shares into common shares and sell certain of their common shares so acquired in the IPO. Effective on closing of the IPO, all of the outstanding Class A Shares automatically converted to post-consolidation common shares on a one-for-four basis.

Our registered and head office is at 30 Whitmore Road, Woodbridge, Ontario L4L 7Z4, and our head office telephone number is (905) 856-5288. We market and sell our rugged communications networking solutions worldwide. We also maintain offices in Hollywood, Florida, U.S.A., Bristol, England, Dubai, United Arab Emirates, Chennai, India, Shanghai, China and near Stuttgart, Germany. Our website address is www.ruggedcom.com. The information on our website is not incorporated by reference into this AIF.

Intercorporate Relationships

The Company has two wholly-owned subsidiaries. The name and jurisdiction of incorporation of each of these subsidiaries is as follows:

<i>Name of Subsidiary</i>	<i>Jurisdiction of Subsidiary</i>
RuggedCom (USA) Inc.	Delaware, USA
RuggedCom Deutschland GmbH	Germany

GENERAL DEVELOPMENT OF THE BUSINESS

The Company is a leading provider of rugged communications networking solutions designed for mission-critical applications in harsh environments. When used outside of benign office environments, communications networking equipment can be exposed to harmful conditions that impact network reliability, throughput, availability, security and data integrity. Our solutions are designed for use in harsh environments such as those found in electrical power substations, oil refineries, military applications, roadside traffic control cabinets, and metals and minerals processing. Our robust technology solutions include proprietary hardware (Ethernet switches, network routers, wireless devices, serial servers and media converters), software (proprietary embedded software and application software) and professional services.

The Company was founded in 2001 to take advantage of an opportunity in the emerging market for rugged communications networking solutions. Drawing on management's prior industry experience, we initially targeted the electric power market with the launch of the RuggedSwitch family of rugged Ethernet switches in January 2002.

Ethernet is the standard technology on which the majority of IP-based communications networks operate. "Industrial Ethernet" refers to the growing trend of utilizing Ethernet technologies in non-office environments. These technologies include communications networking hardware (Ethernet switches, network routers, serial servers, and media converters) and Ethernet-enabled end-devices used in industrial applications (e.g. intelligent electronic devices, programmable logic controllers and human machine interfaces).

Three Year History

The growth of the market for Ethernet-enabled end-devices used in non-office environments is a key factor governing the rate of Industrial Ethernet adoption. These Ethernet-enabled end-devices require rugged communications networking hardware in order to function for their intended application. We have witnessed a similar growth pattern for other rugged networking communications hardware, including our products.

Wireless technologies have the potential to profoundly change the way automation and control systems are deployed for both new and existing applications in harsh environments. Because they are much less expensive to install than conventional wired networks, wireless technology offers a more cost-effective means of extending IP-based communications networks from benign office environments to harsh non-office environments. We believe that industrial wireless, while in its infancy, will follow an adoption pattern similar to that seen in the wired Industrial Ethernet market. In fiscal 2007 we introduced a family of rugged wireless networking solutions to address this growing trend.

The growth of wired and wireless rugged communications networks, has resulted in increased interconnection between office and non-office communications networks, making these networks more susceptible to unauthorized cyber attacks. As a result of this threat, companies have become more sensitive to their network security and government agencies and industry groups are developing regulations and specifications for network security to ensure that critical infrastructure is properly protected. For example, in the United States, industrial cyber security standards in the electric power industry are developed and enforced by NERC (North American Electric Reliability Corporation). We embed cyber security features in all of our networking products and in early 2007, we introduced RuggedCom Gauntlet, a solution specifically targeted to the electric power market and one which enable entities to meet NERC's cyber security standards. We are seeing growing demand for cyber security

products for rugged communications networks, which correlates with similar growth of Industrial Ethernet and the industrial wireless markets.

An important trend within the North American and European electric power markets is the "Smart Grid" initiative. The term "Smart Grid" refers to the integration of communications networks with the electrical power grid allowing real time information, monitoring and power status exchange that allows operator or automatic intervention, when necessary, to maintain the network. For example, by facilitating controlled local black-outs and real-time operator intervention, the Smart Grid is intended to prevent the type of conditions that resulted in the electricity black-out that occurred in Northeast United States and parts of Eastern Canada on August 14, 2003. The integrated communications infrastructure must enable various intelligent electronic devices, smart meters, control centres, protection systems and users to communicate as a network.

All the above trends have had a significant impact on the Company's growth and development of its business over the past three years.

During the past three years we have rapidly increased our product portfolio to include several variations of our rugged Ethernet switches and additional new product families relating to rugged network routers, rugged serial servers, rugged media converters, and recently, rugged wireless devices and application software. We have also introduced professional services that include consulting, training and other fee-based support services.

The Company has built a growing and diverse customer base of 1,119 customers worldwide as at March 31, 2008, up from 279 as at March 31, 2005.

In 2006, we were the recipient of the Frost & Sullivan Excellence in Technology award in the field of Ethernet switches for substation automation, for designing and manufacturing "ruggedized communication equipment for harsh electrical and climatic environments". Frost & Sullivan, in their study "*D646 Global Developments in Substation Automation 2006*" (2006), also named RuggedCom as having the largest installed base of Ethernet switches in electrical power substations worldwide. In addition, in both 2006 and 2007 we were named as a member of the Canadian Deloitte Technology Fast 50 in recognition of our successful growth.

The Company opened an office in the United Kingdom in fiscal 2006 and has subsequently opened offices in Germany, India, China, and the United Arab Emirates.

We expect the aforementioned trends to continue to have a positive impact on the Company's business as demand increases for the Company's rugged communications networking solutions.

DESCRIPTION OF THE BUSINESS

Company Overview

The Company's solutions facilitate the extension of Internet Protocol ("IP") based communications networks from benign office environments to harsh non-office environments. IP-based communications networks are faster, more flexible and offer greater functionality than the legacy, serial, low-speed communications systems currently used in most harsh environments. The extension of IP-based communications networks enables the seamless flow of information between an enterprise's non-office environment and its office environment. Moreover, the implementation of a common networking technology and infrastructure across an entire enterprise improves overall efficiency, increases the ability

to monitor and secure operational assets and reduces costs associated with installation, integration, maintenance, parts and training.

We target specific markets that we believe have the greatest need for rugged communications networking solutions, are underserved and enable us to leverage our core proprietary technology platform. These markets currently consist of electric power, transportation systems, military and industrial processes such as chemical, oil and gas and metals and mining. We believe that these markets offer high growth potential in terms of size of market opportunity for rugged communications networking solutions and are well suited to our competitive strengths. We are well-positioned to capitalize on emerging trends within our targeted markets, including the growing worldwide demand for IP-based communications networks suitable for harsh environments; the development and commercialization of IP-based wireless technologies; the increased focus on cyber security; and, specifically in the electric power market, the global initiative to integrate communications networks with electric power grids, known as "Smart Grids".

Industry Overview

Evolution of Rugged Communications Networks

IP-based communications networks utilize a standard communications protocol as the basis of sending and receiving data packets across a network, making use of devices such as network routers, Ethernet switches, wireless devices, serial servers and media converters. IP-based communications networks have existed since the 1970's and have become the dominant communications networking technology for corporate/office networks. Business enterprises rely upon these networks for corporate communication, automation, control, surveillance and other mission-critical networking needs.

Two major industries related to IP-based communications networking have evolved, specifically:

- (i) the office or commercial grade communications networking industry; and
- (ii) the rugged communications networking industry.

The office or commercial grade communications networking industry utilizes equipment designed for an office or other "benign" environment. Office or commercial grade networking equipment is generally mass marketed and supplied by numerous manufacturers including large multinational companies such as Cisco Systems Inc. and Nortel Networks Corporation. This industry experienced a period of rapid growth in the 1990's and the early part of this decade as enterprises rapidly adopted IP-based communications networking technologies.

The rugged communications networking industry utilizes specialized equipment designed to operate reliably in harsh environments. These environments are characterized by high levels of electromagnetic interference, wide variations in temperature and humidity, high levels of vibration or shock, and/or exposure to airborne and particulate matter (e.g. dust, corrosive gasses, water, etc.). Harsh environments require networking equipment that is significantly more robust and which contains specialized component parts that are less susceptible to failure to ensure that the network remains efficient, secure and operational.

The extension of IP-based communications networks to harsh environments enables the seamless flow of information between an enterprise's non-office environment and its office environment. IP-based communications networks are faster, more flexible and offer greater functionality than the legacy serial, low-speed communications systems currently used in most harsh environments. Moreover, the

implementation of a common networking technology and infrastructure across the entire enterprise improves overall efficiency, increases the ability to monitor and secure operational assets and reduces costs associated with installation, integration, maintenance, parts and training. We believe that the rugged communications networking industry will follow a similar growth profile as the office or commercial grade communications networking industry, with the rapid growth phase still to come. We compete in the rugged communications networking industry.

Products and Services

Hardware Products

Rugged Ethernet Switches - An Ethernet switch is a networking device that connects communications network segments and is used to create IP-based local area networks.

Our RuggedSwitch family of rugged Ethernet switches are used to create high reliability communications networks for use in harsh environments as part of a mission-critical control and automation communications network.

Rugged Network Routers - Network routers interconnect computer networks, moving information such as data from one network to another. A network router connects at least two networks, commonly wide area networks or local area networks, and are used to provide protection to IP-based local area networks from cyber attack. Our RuggedRouter family of rugged network routers and cyber security devices are used to create highly reliable wide area networks and provide effective cyber security to secure IP-based local area networks against cyber attack from both internal and external sources.

Rugged Serial Servers - Serial servers allow legacy serial electronic devices employing non-IP-based serial communications to connect to an IP-based communications network. Legacy serial electronic devices exist across all target markets and their current utilization will continue as the migration to IP-based communications networks occurs. Our RuggedServer family of rugged serial servers allow our customers to continue to use their large installed base of legacy serial devices with new IP-based communications networks.

Rugged Media Converters - A media converter provides conversion from copper cable to fibre optic media, or from lower to higher speeds, and vice versa. The use of fibre optic cable is often preferred in mission-critical applications as it provides immunity to high levels of electromagnetic interference and allows devices to communicate over longer distances and at higher speeds than is possible with copper cable. Our RuggedMC family of rugged media converters allows devices which are only able to connect through copper cable to be connected to the IP-based communications network through fibre optic cable.

Rugged Wireless Networking Devices - Wireless networking devices enable the transfer of information over a distance without wires, are ideal for establishing networks in hard-to-access places and also reduce costs related to cabling and installation. Our RuggedWireless family of wireless Ethernet switches and wireless serial servers address this need and also employ wireless security features.

Software Products - Embedded Software

Our software products include embedded software that resides within our hardware products and application level software that run on computer systems. Our proprietary embedded software, which includes certain licensed components, for our Ethernet switches, serial servers, and wireless devices is called Rugged Operating System ("ROS"). ROS includes features necessary to ensure high network reliability, robustness and optimal performance for mission-critical applications. We have developed our

software to include industry specific features not found in office grade networking equipment and we have improved networking standards for use in our customers' targeted applications. ROS is used on all our RuggedSwitch, RuggedServer and RuggedWireless products.

We have employed a similar strategy in our network routers, in which we have enhanced and optimized the standards-based software used as part of the Linux platform. The suite of software we have developed, which we call ROS on Linux (or "ROX"), allows us to provide the necessary performance and required features for our customers' targeted applications. ROX is our proprietary embedded software based on and subject to certain open source licensing agreements and is used on all our RuggedRouter products.

Both ROS and ROX provide cyber security features for preventing unauthorized access, maintaining confidentiality and network integrity while still maintaining the required performance and operational requirements for the application. Cyber security in the operational context must deal with the protection of people, production, assets, data and the environment from accidental or deliberate intrusions into the control system infrastructure. As more automation systems migrate to utilize IP-based communications networks, the need to address security becomes increasingly critical.

Software Products - Application Software

RuggedVue - RuggedVue is our network management software package that allows our customers to visualize a representation of the physical structure of their Ethernet networks and their networks' performance. RuggedVue also provides a means to visually organize web-based content and allows users to easily navigate with graphical and easy to use network management tools. RuggedVue is our brand labelled software that we have licensed from a third party.

RuggedCom Gauntlet - RuggedCom Gauntlet is our software package designed specifically for the electric power market which functions in conjunction with our RuggedRouter hardware products. RuggedCom Gauntlet secures all communications to substation devices by incorporating authentication, control, logging and reporting features to prevent and detect unauthorized entry attempts. RuggedCom Gauntlet enables our customers to meet NERC's cyber security standards. RuggedCom Gauntlet is our brand labelled software that we have exclusively licensed for use in the electric power market from a third party.

Services

Professional Services - In early 2006, leveraging our domain expertise, we began to offer professional services to help our customers design, configure, install and maintain their rugged communications networks and optimize the capabilities of our products. Our services team is comprised of individuals who have a mix of networking knowledge, automation applications expertise and industry experience. This combination of skill sets allows us to properly design, configure, install and service networks to meet our customers' individual needs.

Training - We offer a wide range of fee-based educational services ranging from in-house training on general networking, Ethernet switches and network routers, to on-site customized courses tailored to the customer's needs, experience and applications. These programs also promote awareness of the RuggedCom name and provide exposure to our products to customers and potential customers. Our training programs incorporate a mix of information and telecommunications technologies and product expertise combined with domain knowledge of our target markets, thus allowing us to provide training specific to our customers' needs and specifications.

Support Services - As part of our product warranty, we currently offer our customers global support, with guaranteed response time within four hours. We intend to increase our focus on delivering more support services, in part, through annual maintenance contracts and extended support packages, which will include a dedicated point of contact and priority resolution for issues.

Revenues

For the last two fiscal years, over 99% of the Company's revenue was comprised of the sale of hardware products with the sale of software and services accounting for less than 1% of revenue for each of those years:

(All amounts in thousands of US Dollars - Canadian GAAP)

Fiscal 2008 Revenue: \$39,179

Fiscal 2007 Revenue: \$26,058

Sales and Marketing

We target specific markets that we believe have the greatest need for rugged communications networking solutions, are underserved and enable us to leverage our core proprietary technology platform. These markets currently include electric power, transportation systems, military and industrial processes such as chemical, oil and gas, and metals and mining. We believe that these markets offer high growth potential in terms of size of market opportunity for rugged communications networking solutions and are well suited to our competitive strengths.

We market and sell our rugged communications networking solutions worldwide through a sales and marketing team based in our offices in North America, Europe and Asia. We support our sales efforts with active participation at local and major national and international tradeshow and events, and in standards-setting industry groups.

We market and sell our rugged communications networking solutions worldwide through a sales and marketing team which is based in our offices in North America, Europe and Asia. Our sales team is comprised of regional sales managers who are all employees of RuggedCom. Our regional sales managers, supported by our field application engineers, target end-users of our products, enabling us to more easily identify our customers' needs, configure and adapt our products to meet these needs and solidify long-term relationships. We believe our direct customer relationships differentiate us from many of our competitors. Our strategy is to establish and sustain market leadership through rapid product innovation and first-to-market position, while continuing to expand our product lines and services and entering new industrial and geographic markets. We expect to accomplish this through organic growth and selective acquisitions.

Our regional sales managers also utilize over 50 manufacturer representatives and distributors as well as other channel partners such as original equipment manufacturers, system integrators, and consultants, in over 30 countries, each used in varying degrees based on the specific nature of our target markets. Certain of these channel partners are retained by end-users of networking communications equipment to design and deliver complete turnkey automation solutions. Our close relationships with these channel partners allows us to leverage their sales force and customer relationships to increase our market visibility and sales by having our products and services specified in their projects. For example, in the electric power market, we have agreements in place with several multinational original equipment manufacturers that use us as the strategic supplier of choice for their electric power automation applications.

Our business is not subject to significant cyclical or seasonal fluctuations.

The Electric Power Market

The electric power market comprises entities engaged primarily in generating, transmitting and/or distributing electric power. The majority of the electric power infrastructure in North America and Europe is in excess of 40 years old. These electric power providers are now embarking on significant capital investments including the implementation of IP-based communications networks as a means to upgrade, monitor, automate and optimize the existing infrastructure, in particular the creation of the Smart Grid.

The Transportation Systems Market

The transportation systems market is comprised of four distinct segments, namely road, rail, air, and sea. We focus primarily on providing rugged communications networking solutions designed for road and rail systems.

Road systems include basic transportation management systems such as global positioning navigation systems, traffic light control systems, container management systems and variable message signs or speed cameras, collectively referred to as Intelligent Transportation Systems ("ITS"). ITS also includes transportation monitoring applications such as security closed circuit television systems and more advanced applications that integrate live data, video and feedback from a number of other sources.

The rail segment of the transportation market is comprised of heavy rail (goods and passenger transport, typically long haul), light rail (passenger transport, typically within an urban area), and subway systems. The common networking communications trends across each of these segments include the implementation of (i) more automated and advanced control and signalling systems to improve safety and increase system capacity, (ii) more surveillance cameras to increase safety and deter security threats, and (iii) additional passenger convenience initiatives to increase ridership and reduce road traffic congestion.

Due to security concerns, many transportation system applications now involve surveillance of roadways, tunnels, airports and seaports. These systems also play a role in the rapid evacuation of people in urban centres after mass casualty events or as a result of a natural disaster or threat. Funding for many of the more advanced systems comes directly through government agencies such as the Department of Homeland Security in the United States.

The Industrial Process Market

We segment the industrial market into two broad categories (i) the discrete manufacturing market (e.g. automotive) and (ii) the industrial process market (e.g. chemical, oil and gas, metals and mining). Of the two, "harsher" environments are typically experienced in the industrial process market, which, accordingly, requires more rugged networking and automation equipment. The rate of implementation of rugged communications networks in the industrial process market is increasing as newer networking technologies are enabling penetration of networking communications equipment deeper into the process. We specifically target the chemical, oil and gas, and metals and mining markets.

The Military Market

Rugged communications solutions are ideally suited to the harsh environments found in military applications. The military is increasingly looking to utilize commercial off-the-shelf ("COTS") technologies that meet prescribed military standards to support its migration from legacy networks to IP-based communications networks in a cost effective manner.

We have developed a line of COTS rugged communications networking solutions that meet the military's stringent reliability and functionality standards. With increased military migration to IP-based communications networking solutions, we believe military spending in this area will grow significantly over the short and long term.

Competition

Competition in the rugged communications networking industry is fragmented and differs in each of our target markets. Competition is based on a number of factors, including product reliability, domain expertise, product innovation and development, price, breadth of product line, brand recognition, service and support. Our principal competitors in our various target markets include, Cisco Systems Inc., Garrettcom Inc. (consolidated with Dymec Inc.), Hirschmann Automation and Control GmbH (acquired by Belden CDT Inc.), International Fiber Systems Inc., Moxa Technologies Co. Ltd. and Radstone Technology PLC (acquired by General Electric Company).

Large multi-national corporations and other mass-market suppliers of communications networking equipment are primarily focused on supplying office-grade products and have introduced limited offerings for harsh environments. We believe these competitors do not currently have the necessary domain expertise, product breadth or product specifications to successfully compete in our target markets. On occasion, end-users seek to "harden" office or commercial grade products with environmentally protected boxes. In our experience, this solution does not provide comparable reliability, immunity or performance attributes and is often a significantly more expensive alternative. Other competitors, who are more directly focused on providing products for harsh environments, generally do not have the domain expertise or products that match our product reliability, immunity and performance specifications required for our target markets. We believe we are well positioned within the rugged communications networking industry as a result of our (i) domain expertise, (ii) customer intimacy and (iii) product leadership and proprietary technology.

Research and Development

Research and development has been a central focus of our business. We rapidly established a leadership position in the electric power market soon after forming the Company and have leveraged our core proprietary technology platform to enter new target markets such as transportation systems, military and industrial processes. We continue to enhance and expand our broad technology platform of rugged communications networking solutions through ongoing research and development based on customer consultation, feedback and market analysis.

Intellectual Property and Proprietary Rights

We seek to protect our intellectual property using a combination of patents, trademarks, trade secrets, copyrights and contractual provisions. We have filed three applications for patents in respect of certain of our core technology, two in each of Canada and the United States and one in the United States only. All three of the patent applications have been allowed by the United States Patent Office. The applications are still pending in Canada. We have also filed an international application which designates approximately 100 countries. Where appropriate, the source code for the proprietary software embedded in our hardware products is protected under trade secret law and as copyrighted works.

We use trademarks and service marks as an integral part of our brand marketing. We currently have trademarks for which we have filed applications or which have been registered in one or more of Canada, the United States, Australia, China, the European Community, India, Japan, South Korea, Taiwan and South Africa.

Certain modules in our network router products make use of or incorporate open source software. For example, ROX utilizes the Linux platform. In addition, we license from third parties certain software components and applications that are incorporated in our solutions.

We generally enter into non-disclosure, confidentiality and intellectual property assignment agreements with all new employees as a condition of employment. We also generally enter into confidentiality and non-disclosure agreements with consultants, manufacturers' representatives, distributors, original equipment manufacturers, suppliers and others to attempt to limit access to and distribution of our proprietary information.

New Products

In April 2008 the Company announced the introduction of a new Ethernet switch product line targeting industrial applications. The new RuggedSwitch i800, or i-Series, of products is designed for demanding industrial environments such as those found in process control applications (oil and gas, petro-chemical, metals and mining, wind farms). It is specifically designed for customers who want the same quality, service and support inherent with our other products, but who don't require the full RuggedRated specifications found in our other products.

The i802 and i803 switches are in production now, with the server, wireless and VDSL versions still in development. It is expected the entire family of products will be in full production later in the calendar year.

Operations and Facilities

Our principal operations are conducted from our approximately 34,000 square foot leased head office and manufacturing facility located in Woodbridge, Ontario. From our head office we carry on our research and development, sales and marketing, product support and administrative functions, as well as the design, assembly, testing, packaging and shipping of our products. The head office lease expires in March 2013.

Due to rapid growth, the Company has entered into a lease for new office and manufacturing space to replace the existing facilities. This new space, also located in Woodbridge, Ontario, consists of approximately 100,000 square feet of office and manufacturing space. We intend to carry on research and development, sales and marketing, product support and administrative functions at this new facility. The lease begins May 1, 2009 and there is an option to extend the lease period for two additional periods of five (5) years each.

We are ISO 9001 certified and employ advanced Six-Sigma quality and lean manufacturing techniques and processes. We purchase raw material components from a number of major electronic component vendors and we outsource printed circuit board assembly. We favour in-house final assembly to ensure high quality, tailor manufacturing to the specific order, provide better production scheduling control and flexibility and provide better inventory and cost control.

We undertake sales, applications engineering and support activities from our office in Hollywood, Florida for our United States and Latin American customers and from our offices in Lancaster and Bristol, England, for our European customers. We also maintain sales offices in Shanghai, China, Dubai, United Arab Emirates, Chennai, India and near Stuttgart, Germany.

Employees

As at March 31, 2008 the Company had 145 full time employees, including 36 dedicated to research and development and engineering, 59 in sales, marketing and administrative functions, and 50 in manufacturing.

RISK FACTORS

The risks and uncertainties discussed below are not the only ones the Company faces. Additional risks and uncertainties not presently known to it or that the Company currently considers immaterial also may impair its business operations and cause the price of its common shares to decline. If any of the following risks actually occur, its business may be harmed and its financial condition and results of operations may suffer significantly.

Growth Management

The growth of the Company's operations places a strain on managerial, sales, financial and human resources personnel as well as its physical plant. The Company's ability to succeed will depend in large part upon its ability to manage future growth to successfully expand all aspects of its business in a timely and cost effective manner consistent with the sales growth the Company experiences.

Reliance on Key Personnel

The Company depends on the services of its senior management and key professional, technical, sales, marketing and other specialized personnel to develop, market and support its solutions and develop the business. Most of its employees are not subject to non-competition restrictions that would prohibit them from leaving the Company to immediately join or form competitive businesses. The Company's success is highly dependent on its continuing ability to identify, hire, train, motivate and retain appropriate personnel. Competition for these personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain them. To do so, it may be necessary for the Company to materially increase the compensation it pays.

Growth in Key Markets

The overall market for rugged communications networking solutions has experienced significant growth in the past few years. There can be no assurance that the market for its solutions will continue to grow or grow as quickly as it currently anticipates, that firms in its target markets will adopt its solutions, or that it will be able to establish additional markets for its solutions.

Dependence on Electric Power Industry

The Company currently derives approximately two-thirds of its revenue from sales to the electric power market and it expects revenue from these sales to continue to account for a substantial portion of its revenue for the foreseeable future. The Company is highly dependent for its sales on the ongoing electric power market migration to Internet Protocol-based communications networks throughout the non-office environment and there can be no assurance that the migration will continue. For example, as the electric power market is a regulated industry, the migration to Internet Protocol-based networks could be adversely affected by legislative developments.

Competition

The market for the Company's products is highly competitive. The Company has experienced, and expects to continue to experience, substantial competition from numerous competitors whom it expects to continue to improve their products and technologies. Competitors may announce and introduce new products, services or enhancements that better meet the needs of end-users or changing industry standards, or achieve greater market acceptance due to pricing, sales channels or other factors. Competitors may be able to respond more quickly than RuggedCom to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

The Company competes with a wide range of competitors of varying sizes. New competitors or alliances among competitors could emerge. Many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources than RuggedCom with which to pursue research and development, marketing and distribution of their products. Many of these competitors also have a larger installed base of products, have longer operating histories or have greater name recognition than RuggedCom.

Certain of RuggedCom's original equipment manufacturers have or could acquire the internal capabilities to manufacture their own solutions competitive to RuggedCom's rather than reselling the Company's products, which could result in a reduction in its sales.

While many of the Company's direct competitors today are relatively small, consolidation is taking place in the industry resulting in competitors who are larger and better capitalized and therefore have greater resources. In addition, if two or more of the Company's competitors were to merge or partner, the change in the competitive landscape could adversely affect the Company's ability to compete effectively.

If RuggedCom's competitors offer deep discounts or more favourable purchase terms on certain products or services, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any changes would likely reduce its margins and could adversely affect its operating results, particularly if it is unable to affect the changes with a corresponding increase in the quantity of sales or through lower spending. In addition, its level of product gross margin may not be sustainable as it enters new geographic regions, adjusts its product mix or if it experiences increased warranty costs.

Reliance on Third-Party Suppliers

The Company relies on third-party suppliers, in some cases sole suppliers, to provide components, such as processor chips, necessary for the manufacture of its products. It depends on these suppliers to allocate to the Company a portion of their manufacturing capacity sufficient to meet its needs, to produce components of acceptable quality and to deliver those components to the Company on a timely basis at acceptable prices. The Company is not a major customer of any of its key suppliers and consequently they may be unwilling or unable to devote sufficient resources to meet the Company's requirements. Should a shortage of components occur (e.g. due to production interruption or a worldwide shortage of certain parts), a supplier may limit the number of components it may purchase. Additionally, a supplier may determine to cease production of components supplied to the Company. If it is unable to obtain sufficient allocations of these components in a timely manner, or a supplier ceases production of any of the components it relies on, production and shipment of products will be delayed. Reliance on third-party suppliers also reduces its control over production costs, delivery schedules, reliability and quality of materials.

Manufacturing and Reliance on Contract Manufacturers

The Company has one manufacturing and assembly facility which is located in Woodbridge, Ontario at which final assembly and testing of all of its products is completed. Should the operation of the facility be interrupted for a significant period of time for any reason, its ability to fulfill orders in a timely fashion will be significantly adversely affected.

If any of the Company's outsourced manufacturers are unable or unwilling to continue manufacturing its products in required volumes and quality levels, the Company will have to identify, qualify, select and implement acceptable alternative manufacturers, which could be time consuming and costly. In addition, an alternate source may not be available to the Company or may not be in the position to satisfy the Company's production requirements at commercially reasonable prices and quality. Therefore, any significant interruption in contract manufacturing would result in the Company being unable to deliver the affected products to meet its customer orders.

Reliance on Third Party Channel Partners

The Company is dependent upon its ability to establish and develop new relationships and to build on existing relationships with channel partners including manufacturer's representatives, distributors, original equipment manufacturers, systems integrators and consultants. It currently relies and expects to rely upon these relationships in the future to sell or facilitate the sale of a material portion of its solutions. These third parties may provide the Company with direct or indirect customer referrals, co-operate with the marketing of its products and integrating its products in end-users' systems and infrastructure or include the Company as a specified supplier in their projects. It cannot provide assurance that it will be successful in maintaining or advancing its relationships with them. In addition, it cannot provide assurance that those with whom it currently has relationships will act in a manner that will promote the success of its solutions.

Some channel partners also sell products and services of the Company's competitors.

Some of the Company's competitors have been acquired by certain original equipment manufacturers with whom the Company has relationships, which could result in products and services of its competitors being favoured by them.

Fluctuations in Quarterly Results

The Company's quarterly operating results have fluctuated in the past and may fluctuate significantly in the future depending on factors such as seasonality, demand for its products, the size and timing of orders, progress on implementation of projects, the number, timing and significance of new product announcements by the Company and its competitors, the ability to develop, introduce and market new and enhanced versions of products on a timely basis, the level of product and price competition, changes in operating expenses, changes in the sales incentive strategy, sales personnel changes and general economic factors, among others. A significant portion of the Company's expenses are based on expectations of future revenue and, therefore, is relatively fixed in the short-term. Accordingly, if revenue levels are below expectations, operating results are likely to be adversely affected.

The Company relies on individual purchase orders for product sales to customers and has no long-term customer supply contracts providing for specified sales. Because its quarterly revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of its sales prospects into revenue could cause the Company to plan or budget inaccurately, and those variations could adversely affect its financial results.

Dependence on Certain Licensed Intellectual Property

The Company licenses certain technologies used in its products from third parties, including as part of ROS (Rugged Operating System). The termination of any of these licenses, or the failure of the licensors to maintain or update their products adequately, could delay its ability to ship solutions while it seeks to implement alternative technology offered by other sources that may require significant unplanned investments. In addition, alternative technology may not be available, and even if it is available it may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more of its solutions or relating to current or future technologies to enhance the Company's product offerings. There is a risk that the Company will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

Infringement of Intellectual Property Rights

While the Company believes that its products and other intellectual property do not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Company not infringing intellectual property rights of others. A number of the Company's competitors and other third parties have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used in the Company's solutions. Some of these patents may grant very broad protection to the owners of the patents. The Company has not undertaken a review to determine whether any existing third party patents or the issuance of any third party patents would require the Company to alter its technology, obtain licenses or cease certain activities. The Company may become subject to claims by third parties that its technology infringes their intellectual property rights due to the growth of products in its target markets, the overlap in functionality of these products and the prevalence of products. The Company may become subject to these claims either directly or through indemnities against these claims that it routinely provides to its end-users, manufacturer's representatives, distributors, value added resellers, systems integrators and original equipment manufacturers.

Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary rights or to establish the Company's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than RuggedCom and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than RuggedCom. Regardless of their merit, any such claims could be time consuming to evaluate and defend; result in costly litigation; cause product shipment delays or stoppages; divert management's attention and focus away from the business; subject the Company to significant liabilities and equitable remedies, including injunctions; require the Company to enter into costly royalty or licensing agreements; and require the Company to modify or stop using infringing technology.

The Company may be prohibited from developing or commercializing certain technologies and products unless it obtains a license from a third party. There can be no assurance that it will be able to obtain any such license on commercially favourable terms, or at all. If it does not obtain such a license, it could be required to cease the sale of certain of its solutions.

Use of Open Source Software

The Company uses certain open source software (such as Linux) in the development of certain of its software products, which are not maintained or supported by the original developers thereof. This open-source software was developed originally by third parties over whom the Company has no control. The Company has no assurances that the Linux operating system and the Company's related components do not infringe on the intellectual property rights of others and the Company could be exposed to

infringement claims and liability in connection with the use of such open source software. The Company conducted no independent investigation to determine whether the sources of that software have the rights necessary to permit the Company to use this software free of claims of infringement by third parties. The Company could be required to replace certain components with internally developed or commercially licensed equivalents, which could delay product development plans, interfere with its ability to support its customers and/or require the Company to pay licensing fees. Certain open source software licenses provide that any software that makes use of or incorporates components distributed under that license will itself become subject to the same general distribution rights and other terms of that license. As a result, there is a risk that third parties, including RuggedCom's competitors, could have the right to use and distribute certain elements of the Company's software products which is based on open-source software.

Protection of the Company's Intellectual Property

The Company's success depends in part on its ability to protect its rights in its intellectual property. The Company relies on various intellectual property protections, including patents, copyright, trade-mark and trade secret laws and contractual provisions, to preserve its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use RuggedCom's intellectual property without its authorization. Policing unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada and the United States. Furthermore, many key aspects of networking technology are governed by industry wide standards, which are freely available to all market entrants.

To protect the Company's intellectual property, it may become involved in litigation, which could result in substantial expenses, divert the attention of its management, cause significant delays and materially disrupt the conduct of its business.

Rapid Technological Change

The markets for the Company's products are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction by competitors of products embodying new technology and the emergence of new industry standards can render RuggedCom's existing products obsolete and unmarketable and can exert price pressures on existing products. It is critical to the Company's success that it be able to anticipate and react quickly to changes in technology or in industry standards and successfully develop and introduce new, enhanced and competitive products on a timely basis. The Company cannot give assurance that it will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's products obsolete. The process of developing new technology is complex and uncertain, and, if RuggedCom fails to accurately predict customers' changing needs and emerging technological trends, its business could be harmed. The Company must commit significant resources to developing new products before knowing whether its investments will result in products the market will accept. To remain competitive, the Company may be required to invest significantly greater resources than currently anticipated in research and development and product enhancement efforts, and result in increased operating expenses.

Product Defects and Liability Claims

The Company is subject to proceedings and claims that may arise in the ordinary conduct of the business, which could include product and service warranty claims, which could be substantial. The Company's products are highly complex and sophisticated, and could contain design defects or software errors that are difficult to detect and correct. The Company provides product warranties that typically run for five

years. If its products fail to perform as warranted and it fails to resolve product quality or performance issues in a timely manner, sales may be lost and it may be forced to pay damages. In addition, because its products are sold and marketed in different countries; the products must function in and meet the requirements of many different environments and be compatible with different systems. Any failure to meet customer requirements could materially affect its business, results of operations and financial condition. The occurrence of product defects and the inability to correct errors could result in the delay or loss of market acceptance of its products, material warranty expense, diversion of engineering and other resources from its product development efforts, and the loss of credibility with its customers, manufacturer's representatives, distributors, value added resellers, systems integrators, original equipment manufacturers and end-users, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

The Company does not currently maintain product liability insurance coverage. The Company has not experienced a material product liability claim to date; however, if that claim were to arise it would likely be substantial in light of the use of its products in mission critical applications. A successful product liability claim could result in significant monetary liability and could seriously disrupt or harm its business.

Currency Fluctuations

The Company enters into transactions in multiple currencies and is subject to gains and losses due to fluctuations between those currencies. A substantial portion of the Company's revenue is earned in US dollars, but a substantial portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the US dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company intends to continue to expand operations internationally so it may be subject to additional gains and losses against additional currencies. The Company does not currently have a foreign exchange hedging program in place. However, in the future, it may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if it develops a hedging program, it may not hedge entirely the exposure related to any one foreign currency and it may not hedge its exposure at all with respect to certain foreign currencies.

International Risk

The Company's international operations are significant and it intends to continue to expand these international operations. RuggedCom's foreign operations face additional specific local risks, which may adversely affect the Company, including: changes in legal and regulatory requirements (including tariffs and other trade barriers); less favourable intellectual property laws; any loss of sales personnel in one of RuggedCom's small foreign offices that could result in a significant loss of sales in that foreign country; changes in local tax rates and other potentially adverse tax consequences (including the cost of repatriation of earnings); collectibility of accounts in foreign jurisdictions; and burdens of complying with a wide variety of foreign laws, including changing import and export regulations.

The Company believes that its future growth depends in large part on its ability to increase its business in international markets. This will require significant management attention and financial resources, including capital to hire additional personnel and establish additional international facilities.

Regulation

Certain components of the Company's products may be subject to current or future regulation, including relating to environmental protection, for example, lead solder and wireless solutions. Regulatory agencies may make rulings or adopt new standards with which its solutions may need to be compliant. The timing and nature of these rulings or adoption of new standards may impact future sales to its customers, its ability to conform its solutions and/or to retain its market position.

In addition, in the future the Company may be required to comply with substance bans and product/component take-back requirements that would make the Company responsible for recycling and disposing of certain of its products/components that it has sold.

Health and Safety

In recent years there has been publicity regarding the potentially negative direct and indirect health and safety effects of electromagnetic emissions from wireless equipment sources, including allegations that these emissions may cause cancer. The Company's wireless communications products emit electromagnetic radiation. Health and safety issues related to its products may arise that could lead to litigation or other actions against the Company or to regulation of certain of its product components. The Company may be required to modify its technology and may not be able to do so. It may also be required to pay damages that may reduce its profitability and adversely affect its financial condition. Even if these concerns prove to be baseless, the resulting negative publicity could affect the Company's ability to market certain of its products and, in turn, could harm its business and results of operations.

Economic and Geopolitical Uncertainty

The market for RuggedCom's solutions depends on economic and geopolitical conditions affecting the broader market. Economic conditions globally are beyond the Company's control. In addition, acts of terrorism and the outbreak of hostilities, disease, and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties may cause end-users to delay or cancel projects, reduce their overall information technology budgets or reduce or cancel orders for the Company's solutions, which could have a material adverse effect on its business, results of operations and financial condition.

Acquisitions

The Company may engage in selective acquisitions. There is a risk that it will not be able to identify suitable acquisition candidates available for sale at reasonable prices. It is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including: diversion of management's attention; disruption to its ongoing business; failure to retain key acquired personnel; difficulties in integrating acquired operations, technologies, products or personnel; unanticipated expenses, events or circumstances; assumption of disclosed and undisclosed liabilities; and inappropriate valuation of the acquired in-process research and development. In addition, if the Company proceeds with an acquisition, its available cash may be used to complete the transaction, diminishing its liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

Transfer Pricing

The Company conducts business operations in various jurisdictions and through legal entities in Canada, United States and Germany. RuggedCom and its wholly-owned subsidiaries, RuggedCom (USA) Inc. and

RuggedCom Deutschland GmbH i. Gr., provide solutions to, and may from time to time undertake certain significant transactions with, other currently existing or new subsidiaries in different jurisdictions. The tax laws of these jurisdictions, including Canada, have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles and that contemporaneous documentation must exist to support that pricing. The taxation authorities in the jurisdictions where it carries on business could challenge RuggedCom's arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge the Company's transfer pricing policies, its income tax expense may be adversely affected and it could also be subjected to interest and penalty charges. Any such increase in its income tax expense and related interest and penalties could have a significant impact on its future earnings and future cash flows.

Other Tax Matters

Although management is of the view that all expenses and tax credits claimed by the Company, including research and development expenses and SR&ED tax credits, are reasonable and deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree. If the Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, the Company's operating results could be adversely affected. If the Canadian taxation authorities reduce the tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, its operating results will be adversely affected.

The majority of the Company's research and development activities are conducted at its headquarters in Woodbridge, Ontario. The Company participates in government programs with both the federal Government of Canada and the Government of Ontario that provide SR&ED tax credits based upon qualifying SR&ED expenditures. These expenditures primarily consist of the salaries of the persons conducting research and development activities. If these SR&ED tax credits are reduced or eliminated, the Company's business, financial condition and results of operations may be adversely affected.

DIVIDEND POLICY

The Company has not paid any dividends to its shareholders to date and does not currently intend to pay dividends on its Common Shares in the near future. The declaration of dividends is within the discretion of the Board of Directors of the Company (the "Board"). The Board will review the Company's dividend policy from time to time having regard to, among other factors, earnings, growth plans and operating and financial requirements.

CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Class A Preferred Shares. The holders of the Common Shares are entitled to one vote at meetings of shareholders of the Company for each Common Share held and to receive dividends if, as, and when declared by the Board of Directors. Holders of Common Shares are entitled to share ratably in the remaining property or assets of the Company in the event of the Company's liquidation, dissolution or winding-up. There are no Class A Preferred Shares outstanding as at the date of this AIF.

MARKET FOR SECURITIES

The Common Shares of the Company are listed on the Toronto Stock Exchange under the symbol "RCM". The monthly high and low prices and monthly volume for the Common Shares for the fiscal year ended March 31, 2008 were as follows:

Month	C\$ per Common Share		Monthly Share Volume
	High	Low	
June 21-30, 2007	15.15	13.90	2,046,967
July	17.60	14.00	349,879
August	16.00	12.85	642,411
September	15.00	13.50	120,060
October	15.00	12.42	767,105
November	14.20	10.27	81,890
December	13.00	10.06	116,550
January	12.20	10.00	173,803
February	13.10	11.21	348,790
March	13.00	10.55	295,980

DIRECTORS AND OFFICERS

The directors of the Company are elected annually are expected to hold office until the next annual meeting of the Company's shareholders, or until a successor is elected or appointed.

As of June 20, 2008, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, a total of 2,180,941 Common Shares, representing approximately 19% of the Company's total outstanding Common Shares.

The following table sets forth the names, municipalities of residence, positions held with and principal occupations of the directors and executive officers of the Company and, if a director, the year in which the person first became a director. Each director is expected to hold office until the next annual meeting of the Company's shareholders, or until a successor is elected or appointed.

Directors and Officers

Name and Municipality of Residence	Position with the Company	Principal Occupation	Director since
Dr. Guy Bridgeman Edmonton, Alberta	Director ⁽²⁾	Senior Vice-President Distribution & Transmissions and Energy Services, EPCOR Utilities Inc.	2003
Allan Brett Kleinberg, Ontario	Director ⁽¹⁾	Chief Financial Officer Aastra Technologies Limited	2007
Peter Crombie ⁽³⁾ Toronto, Ontario	Director Chairman of the board	Partner, Emerald Technology Ventures AG	2006
J. Ian Giffen Toronto, Ontario	Director ⁽¹⁾	Corporate Director	2007
Marzio Pozzuoli Kettleby, Ontario	Director and President and Chief Executive Officer	President and Chief Executive Officer, RuggedCom Inc.	2001
C. Ian Ross Collingwood, Ontario	Director ⁽²⁾	Corporate Director	2007
Dr. Harry Zarek	Director ⁽²⁾	President and Chief Executive Officer, Compugen Systems Ltd.	2003
Roy Dalton Markham, Ontario	Chief Financial Officer	Chief Financial Officer	
Clive Dias Brampton, Ontario	Vice-President, Operations	Vice-President, Operations	
Joe Gould Hollywood, Florida USA	Vice-President, Sales – Americas	Vice-President, Sales - Americas	
Emiliano Marquesini Bristol, England	Vice-President, Sales – International	Vice-President, Sales - International	
Roger Moore Beeton, Ontario	Vice-President, Engineering	Vice-President, Sales – Engineering	
G. Pino Porciello Campbellville, Ontario	Vice-President, Marketing	Vice-President, Marketing	

Notes:

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Compensation, Governance and Nominating Committee

⁽³⁾ Mr. Crombie was a past director of IDS Intelligent Detection Systems Inc. ("IDS") during the period from July 2000 to April 2001. In September 2000 certain management and insiders of IDS were subject to a cease trade order of IDS securities for a period of 35 consecutive days. In addition, Mr. Crombie resigned in writing as a director of IDS on April 12, 2001, the same date that a receiver was appointed over IDS.

Biographies

The following are brief profiles of the directors and officers of the Company, in addition to a description of each individual's principal occupation within the past five years.

Directors

Allan Brett, Director. Mr. Brett has been the Chief Financial Officer of Aastra Technologies Limited for the past ten years. Aastra is a public company which develops and markets IP-based networking products, with annual revenue of more than \$600 million and more than 1,700 employees. Mr. Brett is a Chartered Accountant and Chartered Business Valuator from the Canadian Institute of Chartered Business Valuators. Mr. Brett currently sits on the board of directors of J.J. Battle Enterprises Inc., a private business based in Toronto operating in the commercial construction industry.

Dr. Guy Bridgeman, Director. Dr. Bridgeman is Senior Vice-President, Distribution & Transmission and Energy Services EPCOR Utilities Inc., a company providing power and water to customers in Alberta, British Columbia, Ontario and the U.S. Pacific Northwest. Dr. Bridgeman joined EPCOR Utilities Inc. in November 1995 as Director of Regulatory Affairs and served in that capacity for four years. From 1999 to 2002, he served in various senior planning and business development capacities within the company before moving to his current position. From 1989 to 1995, Dr. Bridgeman was a senior economist with the Alberta Government's Department of Energy, focusing on oil and gas regulatory issues. He played a leading role in the province's first round of electricity industry deregulation initiatives, introduced in 1996. Dr. Bridgeman holds a Ph.D. in Economics from the University of Western Ontario, London.

Peter Crombie, Director. Mr. Crombie has been a partner of Emerald Technology Ventures AG since April 2005. Mr. Crombie is responsible for leading venture capital deals in the fields of energy technology, materials and water. He was President and Chief Executive Officer of OPG Ventures Inc. (an energy technology venture capital fund owned entirely by Ontario Power Generation Inc.) from April 2001 to March 2005. Mr. Crombie currently serves on the boards of GrowthWorks Canadian Fund and GrowthWorks Commercialization Fund (both Canadian labour-sponsored venture capital funds). He also serves on the Investment Committee of Sustainable Development Technology Canada. Mr. Crombie has over 30 years of business experience working principally with high technology companies in financial, investment and senior executive roles. Mr. Crombie is a Chartered Accountant and has a Designation in Corporate Finance. He holds a Master of Business Administration degree from Concordia University, Montreal and a Bachelor of Commerce from McGill University, Montreal.

J. Ian Giffen, Director. Mr. Giffen serves as an advisor and/or director to technology companies and investment funds. Mr. Giffen is currently a director of MKS Inc., Corel Corporation Inc. and Descartes Systems Inc. Since 1996, Mr. Giffen has advised Helix Investments Inc. and XDL Capital Inc., both of which are private venture investment funds, and has served on the boards of a number of public and private companies in the past including Macromedia, Open Text Inc., Financial Models Inc., 724 Solutions Inc., Delano Technology Inc., Algorithmics Inc., DWL Inc., DPS Inc., Changepoint Inc. and MGI Software Inc. Mr. Giffen is a Chartered Accountant and has a bachelor of arts degree in business administration from the University of Strathclyde in Glasgow.

Marzio Pozzuoli, President and Chief Executive Officer. Mr. Pozzuoli is the founder, President and Chief Executive Officer of RuggedCom. Mr. Pozzuoli has over 20 years experience developing technology for the industrial process and electric power markets. Prior to founding RuggedCom, Mr. Pozzuoli was the Technology Manager for General Electric's Power Management division where he was responsible for technology development and the successful introduction of major new product lines in the area of power system protection and control. Mr. Pozzuoli is the inventor of record of multiple patents

related to advances in communications, protective relaying technology and automation technology. Mr. Pozzuoli is also an active member of the IEEE where he is involved with standards work as part of the IEEE Power Engineering Society Substations Committee Task Force. Mr. Pozzuoli holds a Bachelor of Electrical Engineering Technology degree from Ryerson Polytechnical Institute, Toronto.

C. Ian Ross, Director. Mr. Ross is currently the chairman of the board of directors of PetValu Inc., World Heart Corporation, a director of Ontario Power Generation Inc., a director and chairman of the audit committee of Comcare Canada Limited and a director of eJust Systems Inc. Mr. Ross has extensive management and transactional experience having previously been the president and chief executive officer of a number of paper product companies. Mr. Ross is a member of the Law Society of Upper Canada.

Dr. Harry Zarek, Director. Dr. Zarek is President and Chief Executive Officer of Compugen Systems Ltd., one of Canada's largest information technology companies, which he founded in 1981. With offices across Canada and a staff of 700, the company provides technology infrastructure solutions focused on medium and large corporations and governments. Dr. Zarek holds an undergraduate degree in Engineering Science and a Ph.D. in Physics from the University of Toronto and he is an active investor and member of the board of directors of a number of early stage technology companies in Canada and the United States.

Officers

Roy Dalton, Chief Financial Officer. Mr. Dalton joined RuggedCom in 2004 and is the company's Chief Financial Officer. Mr. Dalton spent four years in California during which time he served as Treasurer of Internet Pictures Corporation and VP Finance of Zinio Systems Inc. Mr. Dalton participated in the initial public offering of Internet Pictures Corporation in the United States in August 1999. Prior to his work in California, Mr. Dalton spent almost 10 years in several full time financial consulting roles with IBM Canada Inc., assisting the company with divestitures, business integration and litigation support. Mr. Dalton is a Chartered Accountant, Chartered Financial Analyst and holds a Bachelor of Commerce degree from the University of Toronto.

Clive Dias, Vice President, Operations. Mr. Dias joined RuggedCom in 2001 and is currently the Vice President of Operations responsible for manufacturing, material management and day-to-day company operations. Mr. Dias has over 25 years experience in mechanical design and manufacturing in the electronics industry and is the inventor of record of a number of patents related to the mechanical and electrical design of protection relay devices for the electric utility industry. Prior to joining RuggedCom, Mr. Dias was the Manager of Mechanical Design/Drafting/Manufacturing Test for General Electric's Power Management division where he oversaw the partial outsourcing of manufacturing to over-seas locations and the creation of various manufacturing work cells. Mr. Dias holds a Mechanical Engineering Technologist Diploma from the Ryerson Polytechnical Institute, Toronto, and is Six Sigma trained and certified.

Joe Gould, Vice President, Sales - Americas. Mr. Gould joined RuggedCom in 2003 as a Sales Engineer, quickly moved into the role of Business Development Manager for the transportation systems and electric power markets and is currently the Vice-President, Sales - Americas. Mr. Gould has over 30 years experience in the Information Technology and Networking Industry, of which 15 years were spent in a management capacity in the areas of information technology and networking management. Prior to joining RuggedCom, Mr. Gould spent three years as an independent consultant designing networks and performing security audits. Before that, Mr. Gould was employed as a Senior Network Consultant with 3COM Corporation and with Foundry Networks, Inc. as a Systems Engineer. Mr. Gould holds a

Bachelors Degree in Computer Science from the University of Florida and has earned multiple industry certifications from both 3COM Corporation and Cisco Systems, Inc.

Emiliano Marquesini, Vice President, Sales - International. Mr. Marquesini joined RuggedCom in 2004 as a Regional Sales Manager covering the European market and he was the first RuggedCom employee outside of Canada and USA. Mr. Marquesini has over 15 years experience in automation systems for industrial and electric utilities applications. Before joining RuggedCom, he has held positions with: a multinational OEM (IMPASA/ICSA) as a SCADA and software team leader engineer, where he gained considerable experience in automation and monitoring within the Oil & Gas, Hydro Power and Industrial Controls sectors; Schneider Electric Singapore Automation Systems division, where he started as a Senior SCADA Engineer and then moved into Project Management responsible for multi-million dollar projects; Schneider Electric UK where he held a variety of senior commercial roles (Sales Manager, Key Accounts Manager, Business Development, etc) for EMS and DMS solutions for electrical utilities in Europe and Latin America; and just prior to RuggedCom with Schneider Electric e-Business corporate team as International Program Director. Mr. Marquesini is originally from Argentina where he obtained his degree in Electricity & Electronic Engineering.

Roger Moore, Vice President, Engineering. Mr. Moore joined RuggedCom in 2002 and is currently the Vice President, Engineering. Mr. Moore has over 15 years of experience in the electric utility industry and substation automation. Prior to joining RuggedCom, Mr. Moore was a project manager for General Electric's Power Management division where he developed advanced protective relaying systems and substation automation technology. Mr. Moore is the inventor of record of several patents related to advances in communications and protective relaying technology and he is also an active member of the IEEE. Mr. Moore holds a Bachelor of Science degree, majoring in computer science and physics, from the University of Toronto.

G. Pino Porciello, Vice President, Marketing. Mr. Porciello joined RuggedCom in June 2005 and is the Vice President, Marketing responsible for both product and brand marketing as well as strategic planning and product management. Mr. Porciello has over 15 years experience in industrial automation and the electric utility sector. He has held senior technical and management positions for several early stage technology companies, including Katlyn Controls, Dantec, and Handshake Interactive Technologies. Prior to RuggedCom, Mr. Porciello was a Product Manager with General Electric Multilin, with commercial responsibility for several key product lines. Mr. Porciello holds a joint MBA degree from the Kellogg School of Management and Schulich School of Business as well as Masters and Bachelors of Applied Science degrees in Systems Design Engineering from the University of Waterloo.

Board Committees

Audit Committee

A copy of the Audit Committee's Charter is attached to this AIF as "Appendix A".

The Audit Committee is composed of Messrs. J. Ian Giffen (Chair), Allan Brett and Peter Crombie. The Board of Directors has determined that each member of the Audit Committee is independent and financially literate within the meaning of Multilateral Instrument 52-110.

Each member of the Audit Committee has extensive business experience which provides him with the skills and background necessary to discharge his responsibilities as a member of the Audit Committee. Mr. Giffen is a chartered accountant and serves on the board of directors for several publicly listed companies including MKS Inc., Corel Corporation Inc. and Descartes Systems Inc. Mr. Allan Brett is a chartered accountant and has been the Chief Financial Officer of Aastra Technologies Limited for the past

11 years. Mr. Brett currently sits on the board of directors of J.J. Battle Enterprises Inc., a private business based in Toronto. Mr. Crombie is a chartered accountant with a designation in Corporate Finance. Mr. Crombie has been a partner in Emerald Technology Ventures AG since April 2005. Prior to then he was President and Chief Executive Officer of OPG Ventures Inc. from April 2001 to March 2005. Mr. Crombie serves on the boards of GrowthWorks Canadian Fund and GrowthWorks Commercialization Fund. He also serves on the Investment Committee of Sustainable Development Technology Canada. Mr. Crombie has over 30 years of experience working with high technology companies in financial, investment and senior executive roles.

The Company maintains a policy, approved by the Audit Committee, for engagement of the Company's auditors for any non-audit related services. The objective of the policy is to ensure the auditors' objectivity is not compromised. It sets out the rules to be followed when engaging the Company's auditors for any non-audit related engagement. The policy also states the Audit Committee will not approve any service specifically prohibited under the rules of the Canadian Public Accountability Board and the Independence Standards of the Canadian Institute of Chartered Accountants.

The aggregate fees billed by- PricewaterhouseCoopers LLP, the Company's auditor,--in the-years-ended March 31, 2008 and 2007 for professional services are set out below (all amounts stated in Canadian dollars):

<u>Services Rendered</u>	<u>Fiscal 2008</u>	<u>Fiscal 2007</u>
Audit Fees ⁽¹⁾	\$93,768	\$60,890
Audit Related Fees ⁽²⁾	\$112,055	
Tax Fees ⁽³⁾		\$10,702
All Other Fees ⁽⁴⁾	\$371,518	\$85,525

⁽¹⁾For the audit of the Company's financial statements and for services normally provided by the auditor in connection with statutory and regulatory filings. Audit fees for these services for fiscal years 2008 and 2007 were \$125,000 and \$57,750, respectively. Differences from the amounts above are the result of the timing of actual billing for services rendered.

⁽²⁾For assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported in (1), including review of quarterly financial statements.

⁽³⁾For tax related services, other than the fees reported in as Audit Fees or Audit Related Fees, including preparation of tax returns and tax consultancy services.

⁽⁴⁾"All Other Fees" in fiscal 2008 and 2007 related to services provided in connection with the preparation of the Company's prospectus in connection with the listing of its securities on the Toronto Stock Exchange.

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee (the "CG&N Committee") is composed of Mr. C. Ian Ross (Chair), Dr. Guy Bridgeman and Dr. Harry Zarek. Mr. Marzio Pozzuoli, the Company's President and Chief Executive, is an ex-officio member.

The CG&N Committee acts on behalf of the Board of Directors and it is responsible for all matters pertaining to the appointment, compensation, benefits and termination of the Chief Executive Officer, including the establishment, review and approval of goals and objectives of the Chief Executive Officer as they relate to compensation and evaluation of performance in connection with those goals and objectives.

In addition, the CG&N Committee provides advice and supervision in respect of the appointment, compensation, benefits and termination of other senior management of the Corporation.

Among other things, the CG&N Committee is also responsible for assisting the Board of Directors in fulfilling its responsibilities with regard to the Company's overall approach to governance, including overseeing the operations of the Board in discharging its mandate and responsibilities and reporting annually to the Board on the effectiveness of the performance of the Board as a whole. The CG&N Committee makes recommendations with regard to remuneration of the Board of Directors.

LEGAL PROCEEDINGS

An action was commenced against Marzio Pozzuoli and the Company on October 24, 2007 in the Ontario Superior Court of Justice by Caesar Ortepi. In the action, Ortepi has principally claimed that the Company is obligated to pay him \$165,000 and 1,250,000 common shares of the Company in connection with certain services that were allegedly provided by Ortepi to the Company. The Company filed a statement of defence on November 21, 2007 in which the Company has rejected Ortepi's claim that any services were ever actually provided to the Company. We are of the view that this claim is without any merit and that no money or shares are owed to Caesar Ortepi.

On December 13, 2007, the Company commenced an application in the Ontario Superior Court of Justice against Korona Group Ltd. aka The Korona Group Ltd. ("Korona Turks"), The Korona Group Ltd. ("Korona Ontario"), Steve Kozar, Josip Kozar and Mike Spasov, principally for certain declaratory and injunctive relief relating to certain agreements. On January 17, 2008, the application was converted to an action. On April 15, 2008, Korona Ontario served a counterclaim in which it principally claims common shares of the Company or, in the alternative, damages in the amount of \$10 million. On April 16, 2008, Korona Turks served a counterclaim in which it names Marzio Pozzuoli and in which it principally claims common shares of the Company or, in the alternative, damages in the amount of \$20 million. The claims and the counterclaims are being contested by the parties. The parties have exchanged affidavits of documents and examinations for discovery have been scheduled for the beginning of September of 2008. The Company is of the view that the counterclaims by Korona Ontario and Korona Turks are without any merit.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than ten percent (10%) of the outstanding Common Shares of the Company or known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc., and may be contacted at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 General Shareholder Inquiries by phone: 1-800-564-6253 (toll free North America - International 514-982-7555), by fax 1-866-249-7775 (toll free North America - International 416-263-9524) or by email at service@computershare.com

MATERIAL CONTRACTS

The only material contract entered into by the Company within the past year, or entered into before the most recently completed financial year but still in effect, other than in the ordinary course of business, is an underwriting agreement dated June 14, 2007 among the Company and a syndicate of underwriters relating to an initial public offering pursuant to which the Company sold 3,229,401 common shares (including 421,226 common shares pursuant to the exercise of an over-allotment option granted to the underwriters) at a price C\$13.00 per common share. Gross proceeds of the offering were C\$41,982,213. A copy of this agreement can be found on the Company's profile on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

The Company's consolidated financial statements for the fiscal year ended March 31, 2008 have been audited by PricewaterhouseCoopers LLP, as the independent, external auditor of the Company.

ADDITIONAL INFORMATION

Additional information concerning the Company can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under the Company's equity compensation plans is contained in the Company's Management Information Circular.

Additional financial information, including the Company's consolidated comparative audited financial statements for the fiscal year ended March 31, 2008, is provided in the Company's year-end consolidated financial statements, the notes thereto, auditor's report thereon and accompanying fiscal 2008 MD&A. A copy of all such documents can be found on the Company's profile on SEDAR at www.sedar.com and may also be obtained from:

RuggedCom Inc.
30 Whitmore Road, Woodbridge, Ontario, Canada L4L 7Z4
Attention: Investor Relations
Phone: (905) 856-5288
E-mail: Investor@RuggedCom.com

APPENDIX A

RUGGEDCOM INC.

Audit Committee Charter

Adopted by the Board of Directors on May 25, 2007

RUGGEDCOM INC.

AUDIT COMMITTEE CHARTER

To the directors of RuggedCom Inc. (the "Company"):

1. RESPONSIBILITY

The Audit Committee (the "Committee") is responsible for assisting the board of directors of the Company (the "Board") in relation to:

- (i) the integrity of the Company's consolidated financial statements;
- (ii) the Company's compliance with legal and regulatory requirements related to financial reporting;
- (iii) the qualifications, independence and performance of the Company's auditor;
- (iv) the design and implementation of accounting systems, internal controls and disclosure controls, including the Company's written disclosure policy;
- (v) the review and identification of the principal risks facing the Company and development of appropriate procedures to monitor and mitigate such risks;
- (vi) the development, implementation and administration of the Company's Disclosure Policy and Whistleblower Policy; and
- (vii) any additional matters delegated to the Committee by the Board.

2. MEMBERS

The Committee will be comprised of 3 directors, selected by the Board on the recommendation of the Compensation, Governance and Nominating Committee.

Each member of the Committee will be both "independent" and "financially literate" within the meaning of applicable securities laws, including without limitation, Multilateral Instrument 52-110 -*Audit Committees*.

3. DUTIES

The Committee is responsible for performing the duties set out below as well as any other duties at any time required by law to be performed by the Committee or otherwise delegated to the Committee by the Board.

(a) Appointment and Review of the Auditor

The auditor is ultimately accountable to the Committee and reports directly to the Committee. Accordingly, the Committee will evaluate and be responsible for the Company's relationship with the auditor. Specifically, the Audit Committee will:

- (i) select, evaluate and recommend an auditor to the Board for appointment or reappointment, as the case may be, by the Company's shareholders and make recommendations with respect to the auditor's compensation;
- (ii) review and approve the auditor's engagement letter;
- (iii) resolve any disagreements between senior management and the auditor regarding financial reporting;
- (iv) at least annually, obtain and review a report by the auditor describing:
 - (A) the auditor's internal quality-control procedures, including the safeguarding of confidential information;
 - (B) any material issues raised by such procedures, or the review of the auditor by an independent oversight body, such as the Canadian Public Accountability Board, respecting independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;
- (v) meet with senior management not less than quarterly without the auditor present for the purpose of discussing, among other things, the performance of the auditor and any issues that may have arisen during the quarter; and
- (vi) where appropriate, recommend to the Board that the auditor be terminated.

(b) **Confirmation of the Auditor's Independence**

At least annually, and in any event before the auditor issues its report on the annual financial statements, the Committee will:

- (i) review a formal written statement from the auditor describing all of its relationships with the Company;
- (ii) discuss the auditor any relationships or services that may affect its objectivity and independence (including considering whether the
- (iii) auditor's provision of any permitted non-audit services is compatible with maintaining its independence);
- (iv) obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the Independence Standards of the Canadian Institute of Chartered Accountants; and
- (v) confirm that the auditor has complied with applicable rules, if any, with respect to the rotation of certain members of the audit engagement team.

(c) **Pre-Approval of Non-Audit Services**

The approval of the appointment of the auditor for any non-audit service to be provided to the Company must be obtained from the Committee in advance; provided that it will not approve any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before the appointment of the auditor for any non-audit service, the Committee will consider the compatibility of the service with the auditor's independence. The Committee may pre-approve the appointment of the auditor for any non-audit services by adopting specific policies and procedures, from time to time, for the engagement of the auditor for non-audit services.

(d) **Communications with the Auditor**

The Committee has the authority to communicate directly with the auditor and will meet privately with the auditor periodically to discuss any items of concern to the Committee or the auditor.

(e) **Review of the Audit Plan**

The Committee will discuss with the auditor the nature of an audit and the responsibility assumed by the auditor when conducting an audit under generally accepted auditing standards. The Committee will review a summary of the auditor's audit plan for each audit and approve the audit plan with such amendments as it may agree with the auditor.

(f) **Review of Audit Fees**

The Committee will review and determine the auditor's fee and the terms of the auditor's engagement and inform the Board thereof. In determining the auditor's fee, the Committee will consider, among other things, the number and nature of reports to be issued by the auditor, the quality of the (e) ⁽¹⁾ internal controls of the Company, the size, complexity and financial condition of the Company and its subsidiaries and the extent of support to be provided to the auditor by the Company.⁽⁸⁾

(g) **Review of Consolidated Financial Statements and MD&A**

The Committee will review and discuss with senior management and the auditor the annual audited consolidated financial statements, together with the auditor's report thereon and the interim financial statements, before recommending them for approval by the Board. The Committee will also review and discuss with senior management and the auditor management's discussion and analysis relating to the annual audited financial statements and interim financial statements. The Committee will also engage the auditor to review the interim financial statements prior to the Committee's review of such financial statements.

(h) **Review of Other Financial Information**

The Committee will review:

- (i) all earnings press releases and other press releases disclosing financial information, as well as financial information and written earnings guidance

provided to analysts and rating agencies. The Committee will also review the use of "pro forma" or "adjusted" non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;

- (ii) all other financial statements of the Company that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities; and
- (iii) disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings by the Company about any significant deficiencies and material weaknesses in the design or operation of the Company's internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and any fraud involving senior management or other employees who have a significant role in the Company's internal control over financial reporting.

(i) **Oversight of Internal Controls and Disclosure Controls**

The Committee will review periodically with senior management the adequacy of the internal controls and procedures that have been adopted by the Company and its subsidiaries to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records. The Committee will review any special audit steps adopted in light of material control deficiencies or identified weaknesses.

The Committee will review with senior management the controls and procedures that have been adopted by the Company to confirm that material information about the Company and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed.

(j) **Legal Compliance**

The Committee will review any legal matters that could have a significant effect on the Company's financial statements.

(k) **Risk Management**

The Committee will oversee the Company's risk management function and, on a quarterly basis, will review a report from senior management describing the major financial, legal, operational and reputational risk exposures of the Company and the steps senior management has taken to monitor and control such exposures.

(l) **Taxation Matters**

The Committee will review with senior management the status of taxation matters of the Company. .

(m) **Employees of the Auditor**

The Committee will review and approve policies for the hiring by the Company of any partners and employees and former partners and former employees of the present or former auditor.

(n) **Evaluation of Financial and Accounting Personnel**

The Committee will have direct responsibility to:

- (i) develop a position description for the Chief Financial Officer, setting out the Chief Financial Officer's authority and responsibilities, and present it to the Compensation, Governance and Nominating Committee and Board for approval;
- (ii) review and approve the goals and objectives that are relevant to the Chief Financial Officer's compensation and present the same to the Compensation, Governance and Nominating Committee and Board for approval;
- (iii) evaluate the Chief Financial Officer's performance in meeting his or her goals and objectives;
- (iv) review and assess the performance of Company's financial and accounting personnel; and
- (v) recommend to the Compensation, Governance and Nominating Committee and Board remedial action where necessary.

(o) **Signing Authority and Approval of Expenses**

The Committee will determine the signing authority of officers and directors in connection with the expenditure and release of funds. The Committee will also review the Chief Executive Officer and Chief Financial Officer's expense statements. Director expense statements will be reviewed by the Chief Executive Officer. Where the Chief Executive Officer thinks it advisable, he or she may request that the Committee review director expense statements.

4. COMPLAINTS PROCEDURE

The Committee will administer the Company's Whistleblower Policy for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, disclosure controls or auditing matters and any violation of the Company's Code of Business Conduct and Ethics and the confidential, anonymous submission of concerns by employees of the Company regarding such matters.

5. REPORTING

The Committee will regularly report to the Board on:

- (i) the auditor's independence, engagement and fees;
- (ii) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;

- (iii) the adequacy of the Company's internal controls and disclosure controls;
- (iv) the Company's risk management procedures;
- (v) its recommendations regarding the annual and interim financial statements of the Company, including any issues with respect to the quality or integrity of the financial statements;
- (vi) its review of the annual and interim management's discussion and analysis;
- (vii) any complaints made under and the effectiveness of the Company's Whistleblower Policy;
- (viii) the Company's compliance with legal and regulatory requirements related to financial reporting; and
- (ix) all other significant matters it has addressed or reviewed and with respect to such other matters that are within its responsibilities, together with any associated recommendations.

6. AUDIT COMMITTEE MEETINGS

(a) Scheduling

The Committee will meet as often as it determines is necessary to fulfill its responsibilities, which in any event will be not less than quarterly. A meeting of the Committee may be called by the auditor, the Chairman of the Committee, the Chairman, the Chief Executive Officer, the Chief Financial Officer or any Committee member.

Meetings will be held at a location in Canada determined by the Chairman of the Committee and notice shall be given in accordance with the provisions of the Company's bylaws.

(b) Notice to Auditor

The auditor is entitled to receive notice of every meeting of the Committee and, at the expense of the Company, to attend and be heard thereat and, if so requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditor.

(c) Agenda

The Chairman of the Committee will establish the agenda for each meeting. Any member may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any meeting raise subjects that are not on the agenda for the meeting.

(d) Distribution of Information

The Chairman of the Committee will distribute, or cause the officers of the Company to distribute, an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.

(e) **Attendance and Participation**

Each member is expected to attend all meetings. A member who is unable to attend a meeting in person may participate by telephone or teleconference.

A portion of each meeting will be held without management (including management directors) being present.

(f) **Quorum**

Two members will constitute a quorum for any meeting of the Committee.

(g) **Voting and Approval**

At meetings of the Committee, -each member will be entitled to one vote and questions will be decided by a majority of votes. In case of an equality of votes, the Chairman of the Committee will not have a second or casting vote in addition to his or her original vote.

(h) **Procedures**

Procedures for Committee meetings will be determined by the Chairman of the Committee or a resolution of the Committee or the Board.

(i) **Transaction of Business**

The powers of the Committee may be exercised at a meeting where a quorum is present in person or by telephone or other electronic means, or by resolution in writing signed by all members entitled to vote on that resolution at a meeting of the Committee.

(j) **Absence of Chairman of the Committee**

In the absence of the Chairman of the Committee at a meeting of the Committee, the members in attendance must select one of them to act as chairman of that meeting.

(k) **Secretary**

The Committee may appoint one of its members or any other person to act as secretary.

(l) **Minutes of Meetings**

A person designated by the Chairman of the Committee at each meeting will keep minutes of the proceedings of the Committee and the Chairman will cause an officer of the Company to circulate copies of the minutes to each member on a timely basis.

7. CHAIR

Each year, the Board will appoint one member who is qualified for such purpose to be Chairman of the Committee. If, in any year, the Board does not appoint a Chairman of the Committee, the incumbent Chairman of the Committee will continue in office until a successor is appointed.

8. REMOVAL AND VACANCIES

Any member may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to meet the qualifications set out above. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board. If a vacancy exists on the Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

9. ASSESSMENT

At least annually, the Compensation, Governance and Nominating Committee will review the effectiveness of the Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the mandate adopted by the Board.

10. REVIEW AND DISCLOSURE

The Committee will review this Charter at least annually and submit it to the Compensation, Governance and Nominating Committee together with any proposed amendments. The Compensation, Governance and Nominating Committee will review the Charter and submit it to the Board for approval with such further proposed amendments as it deems necessary and appropriate. -

11. ACCESS TO OUTSIDE ADVISORS AND RECORDS

The Committee may retain independent counsel and any outside advisor at any time and has the authority to determine any such advisors' fees and other retention terms.

The Committee, and any outside advisors retained by it, will have access to all records and information, relating to the Company and all their respective officers, employees and agents which it deems relevant to the performance of its duties.