



**NOTICE AND MANAGEMENT INFORMATION CIRCULAR RELATING TO AN
ANNUAL MEETING OF SHAREHOLDERS
OF SARATOGA ELECTRONIC SOLUTIONS INC.
TO BE HELD ON OCTOBER 3, 2012
September 5, 2012**

Unless otherwise stated, the information herein is given as of September 5, 2012.

These materials are important and require your immediate attention. The shareholders of Saratoga Electronic Solutions Inc. are required to make important decisions. If you have questions as to how to deal with these documents or the matters to which they refer, please contact your financial, legal or other professional advisor. If you have any questions or require further information with regard to voting your shares or completing your transmitted documentation, please contact Computershare Investor Services Inc., our transfer agent, toll free within North America at 1-800-564-6253 or by e-mail at service@computershare.com.



SARATOGA ELECTRONIC SOLUTIONS INC.

Notice of Annual Meeting of Shareholders

Notice is hereby given that the annual meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (the “**Common Shares**”) of Saratoga Electronic Solutions Inc. (“**Saratoga**”) will be held at Saratoga’s head office, located at 2975 Hochelaga, Montreal, Québec H1W 1G1, on October 3, 2012 at 2:00 p.m. (Eastern time) for the following purposes:

- (a) to receive the consolidated financial statements of Saratoga for the financial year ended March 31, 2012, and the report of the auditors thereon;
- (b) to elect directors of Saratoga for the ensuing year;
- (c) to appoint auditors of Saratoga and to authorize the Board of Directors to fix their remuneration;
- (d) to consider and, if thought advisable, to adopt a resolution to authorize Saratoga to present to Shareholders at the Meeting, financial statements in respect of a period ended earlier than the period provided by applicable laws and regulations; and
- (e) to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the management information circular accompanying this Notice of Meeting.

The record date for determining the Shareholders entitled to receive notice of and vote at the Meeting is the close of business on August 31, 2012 (the “**Record Date**”). Only Shareholders whose names have been entered in the applicable register of Shareholders as of 5:00 p.m. (Eastern Time) on the Record Date are entitled to receive notice of and vote at the Meeting. Those Shareholders of record will be included in the list of Shareholders prepared as at the Record Date and will be entitled to vote the Common Shares recorded therein at the Meeting.

A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or postponement thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment or postponement thereof. To be effective, such proxy must be received by Saratoga’s transfer agent, Computershare Investor Services Inc., by 5:00 p.m. (Eastern Time) on October 1, 2012, or two Business Days prior to the time of the reconvening of any adjournment or postponement of the Meeting.

If you are an unregistered holder of Common Shares and have received these materials through your broker, investment dealer, bank, trust company, trustee or other intermediary, please complete and return the form of proxy provided to you by your intermediary in accordance with the instructions provided therein.

If you require any assistance in completing your form of proxy, please contact Computershare Investor Services Inc. by calling toll free within North America at 1-800-564-6253 or by e-mail at service@computershare.com

DATED at Montreal, Québec this 5th day of September 2012.

**BY ORDER OF THE BOARD OF DIRECTORS
OF SARATOGA ELECTRONIC SOLUTIONS
INC.**

(signed) "*Georges A. Durst*"

Georges A. Durst
Chief Executive Officer

CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING INFORMATION

Except for statements of historical fact contained herein, the information presented in this Circular contains certain “forward-looking information” within the meaning of applicable Canadian securities Laws concerning the business, operations and financial performance and condition of Saratoga, including its two wholly-owned subsidiaries, Saratoga ATM and Car-Tel. Often, but not always, forward-looking statements and forward-looking information can be identified by words such as “plans”, “potential”, “expects”, “may”, “should”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, or variations, including negative and grammatical variations thereof, that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved. Forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Saratoga to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements or forward-looking information. Whether actual results and developments will conform to Saratoga’s expectations and predictions, is subject to a number of risks, uncertainties and assumptions, as well as those discussed in Saratoga’s Management’s Discussion and Analysis. Consequently, all of the forward-looking statements in this Circular are qualified by these cautionary statements or as to Saratoga’s ability to enhance shareholder value through this process.

Shareholders are cautioned not to place undue reliance on forward-looking statements and forward-looking information in this Circular. Saratoga undertakes no obligation to update any of the forward-looking statements or forward-looking information in this Circular, except as otherwise required by Law. All of the forward-looking statements made and forward-looking information contained in this Circular are qualified by this cautionary statement.

REPORTING CURRENCIES

All references to “\$” in this Circular refer to Canadian dollars.

GLOSSARY

In this Circular, the following capitalized words and terms have the following meanings:

“**Affiliate**” means, with respect to any person, any other person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such person, and includes any person in like relation to an Affiliate. A person shall be deemed to control a person if such person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise; and the term “**controlled**” has a similar meaning.

“**ATM Business**” means the business currently carried on by Saratoga ATM, comprising of the purchase, placement, funding and maintenance of a network of white-label automated bank machines.

“**Audit Committee**” has the meaning ascribed thereto in this Circular under “Audit Committee Information”.

“**Beneficial Shareholders**” means a person who has rights in Common Shares that are registered in Saratoga’s share register in the name of another person, being the Registered Shareholder.

“**Board of Directors**” means the board of directors of Saratoga.

“**Broadridge**” means Broadridge Financial Solutions, Inc.

“**Business Day**” means any day except Saturday, Sunday or any days on which banks are generally not open for business in the City of Montreal, Province of Québec.

“**Car-Tel**” means Car-Tel Distributions Inc., formally a wholly-owned subsidiary of Saratoga existing under the *Business Corporations Act* (Québec).

“**Car-Tel Business**” means the business carried on by Car-Tel consisting of the sale, distribution and marketing of gift cards, prepaid telephone products and related services.

“**Circular**” means this notice of annual and special meeting of Shareholders and management information circular, including all schedules, appendices and exhibits hereto, sent to Shareholders in connection with the Meeting, as amended, supplemented or otherwise modified from time to time.

“**Common Shares**” means common shares in the share capital of Saratoga.

“**Compensation Committee**” has the meaning ascribed thereto in this Circular under “Statement of Executive Compensation – Compensation Discussion and Analysis – Composition of the Compensation Committee”.

“**Computershare**” means Computershare Investor Services Inc.

“**Disinterested Shareholders**” means the Shareholders, other than Mr. Georges A. Durst, a shareholder and Chief Executive Officer of Saratoga and their respective related parties or joint actors.

“**Governmental Entity**” means (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (b) any subdivision, agent, commission, board or authority of any of the foregoing, (c) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange, including the TSXV.

“**Informed Persons**” has the meaning ascribed thereto in this Circular under “Interests of Informed Persons in Material Transactions”.

“**Insider**” has the meaning given to such term under applicable Canadian securities Laws.

“**Intermediary**” means a broker, investment dealer, bank, trust company, trustee or any other similar intermediary entity through which beneficial holders of securities hold their securities.

“**Laws**” means all laws, by-laws, statutes, rules, regulations, principles of law and equity, orders, writs, awards, decrees, rulings, ordinances, judgements, injunctions, determinations or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, and the term “applicable” with respect to such Laws and in a context that refers to one or more persons, means such Laws as are applicable to such person or its business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities.

“**Meeting**” means the annual meeting of Shareholders, including any adjournment or postponement thereof, to consider the matters described in the accompanying notice of annual and special meeting.

“**MNP**” means MNP S.E.N.C.R.L.-LLP, Chartered Accountants.

“**Named Executive Officers**” has the meaning ascribed thereto in this Circular under “Statement of Executive Compensation – Summary Compensation Table”.

“**Ratification Resolution**” means the ordinary resolution authorizing Saratoga to present to Shareholders at the Meeting financial statements in respect of a period ended earlier than the period provided by applicable Laws, to be voted upon by the Shareholders at the Meeting, the full text of which is set forth in Appendix “A” to this Circular.

“**Record Date**” means August 31, 2012, the record date for determining the Shareholders entitled to receive notice of and vote at the Meeting.

“**Registered Shareholder**” means a registered holder of Common Shares as recorded in the shareholder register of Saratoga maintained by Computershare.

“**Saratoga**” means Saratoga Electronic Solutions Inc., a corporation existing under the *Canada Business Corporations Act*.

“**Saratoga ATM**” means Saratoga ATM Corporation Inc., know 9261-5277 Québec Inc. a wholly-owned subsidiary of Saratoga existing under the *Business Corporations Act* (Québec).

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

“**Share Option Plan**” has the meaning ascribed thereto in this Circular under “Statement of Executive Compensation – Compensation Discussion and Analysis – Long Term Incentive Plan”.

“**Shareholders**” means all the holders of Common Shares.

“**Transaction**” means the transactions completed in the Purchase Agreement, including the sale of the Purchased Shares to the Purchaser as of December 15, 2011.

“**TSXV**” means the TSX Venture Exchange Inc.



SARATOGA ELECTRONIC SOLUTIONS INC.
2975 Hochelaga
Montreal, Québec
H1W 1G1

GENERAL PROXY INFORMATION

Date, Time and Place of Meeting

The Meeting will be held on October 3, 2012, at 2:00 p.m. (Eastern time), at Saratoga's head office located at 2975 Hochelaga, Montreal, Québec H1W 1G1.

Record Date

Only Registered Shareholders of Saratoga as of 5:00 p.m. (Eastern time) on the Record Date of August 31, 2012 are entitled to receive notice of and to vote at the Meeting or the reconvening of any adjournment or postponement thereof. The Record Date will remain the same even if the Meeting is adjourned or postponed.

Voting of Common Shares

As of the close of business on August 31, 2012, Saratoga had 18,461,300 Common Shares outstanding, each carrying the right to one vote per share. A simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote at the Meeting.

Solicitation of Proxies

The management of Saratoga is using this Circular to solicit proxies from Shareholders for use at the Meeting.

All solicitation costs will be borne by Saratoga. Proxies will be solicited primarily by mail, but proxies may also be solicited personally, by telephone or through electronic means (including via the internet, e-mail or facsimile) by directors, officers and employees of Saratoga.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors or officers of Saratoga. A Shareholder has the right to appoint a person (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the form of proxy provided by Saratoga. To exercise this right, the Shareholder should strike out the name of the management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy or submit another appropriate form of proxy. In order to be effective, a proxy must be received by Saratoga's registrar and transfer agent, Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, no later than 5:00 p.m. (Eastern time) on October 1, 2012, or two Business Days prior to the time of the reconvening of any adjournment or postponement of the

Meeting. The proxy must be in writing and executed by the Shareholder, or such Shareholder's attorney authorized in writing, or if such Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney.

A Shareholder who has given a proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to Saratoga c/o Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, at any time up to and including 5:00 p.m. (Eastern time) on the last Business Day preceding the day of the Meeting or the reconvening of any adjournment or postponement of the Meeting or to the chair of the Meeting on the day of the Meeting or the reconvening of any adjournment or postponement of the Meeting. **Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must arrange for their respective Intermediaries to revoke the proxy on their behalf in accordance with any requirements of the Intermediaries.**

Proxy Voting

All Common Shares represented at the Meeting by properly completed and executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the proxy, Common Shares represented by the proxy will be voted in accordance with such instructions. Registered Shareholders will also be able to vote by calling a toll-free number or by using the internet, as provided for in the form of proxy. **In the absence of any such instructions, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. If any other business or amendments or variations to matters identified in the Notice of Annual Meeting of Shareholders properly come before the Meeting, then discretionary authority is conferred upon the persons appointed in the proxy to vote in the manner they see fit.**

Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many Shareholders, as a number of Shareholders do not hold Common Shares in their own names. Beneficial Shareholders who do not hold Common Shares in their own names should note that only proxies deposited by Registered Shareholders whose names appear on the records of Saratoga as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Saratoga. Such Common Shares will more likely be registered under the name of the Shareholder's Intermediary or an agent of the Intermediary. In Canada, the majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms and other such Intermediaries). Common Shares held by Intermediaries or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries and their agents and nominees are prohibited from voting Common Shares for their clients. The directors and officers of Saratoga do not know for whose benefit the Common Shares registered in the name of CDS & Co., or of other Intermediaries, are held. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its Intermediary (or the agent of its Intermediary) is similar to the form of proxy provided to Registered Shareholders. However, its purpose is limited to instructing the Registered Shareholder (the Intermediary or the agent of the Intermediary) how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries

now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form instead of the form of proxy. The Beneficial Shareholder is asked to complete the voting instruction form and return it to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder may call a toll-free number or use the internet to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the applicable meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of its Intermediary (or the agent of its Intermediary), a Beneficial Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholders for Registered Shareholders should enter their own names in the blank spaces on the instruments of proxy provided to them and return the same to their Intermediary (or the agent of their Intermediary) in accordance with the instructions provided by such Intermediary (or agent), well in advance of the Meeting.

Principal Shareholders

As at August 31, 2012, to the knowledge of the directors and executive officers of Saratoga, the following are the only persons who beneficially own or exercise control or direction over, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to any class of outstanding securities of Saratoga entitled to vote at the Meeting:

<u>Name of Shareholder</u>	<u>Number of Common Shares held</u>	<u>Percentage of outstanding Common Shares</u>
GEORGES A. DURST Montreal, Québec	11,132,075	60.26%
ABDEL CHARMAND MONTREAL, Québec	2,475,000	13.40%

As at August 31, 2012, the directors and officers of Saratoga, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 11,132,075 (60.26%) Common Shares.

MATTERS TO BE ACTED UPON AT THE MEETING

ELECTION OF DIRECTORS

The Board of Directors is currently composed of four directors, four of whom are standing for re-election at the Meeting to hold office until the next annual meeting of shareholders of Saratoga, unless his office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified.

In the absence of a contrary instruction, the person(s) designated by management of Saratoga in the enclosed form of proxy intend to vote at the Meeting FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name. Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by

the person(s) designated by management of Saratoga in the enclosed form of proxy, in their discretion, in favour of another nominee.

In the event that, prior to the Meeting, any vacancies occur in the slate of nominees submitted herein, it is intended that the discretionary power granted by the enclosed form of proxy shall be used by the persons named therein to vote at their discretion for any other person or persons as directors.

The following table and notes thereto set forth the names of all the persons proposed to be nominated for election as directors, their positions with Saratoga, their principal occupations or employments, the periods during which they have served as directors of Saratoga and the approximate number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them. The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of Saratoga, has been furnished by the respective proposed nominees individually.

<u>Name and municipality of residence</u>	<u>Position with Saratoga</u>	<u>Principal occupation</u>	<u>Director since</u>	<u>Number of Common Shares owned, controlled or directed</u>
GEORGES A. DURST Montreal, Québec	President and Chief Executive Officer and Director	President and Chief Executive Officer of Saratoga	October 2000	11,132,075
DONALD W. SEAL, QC⁽¹⁾ (2) Hampstead, Québec	Chairman of the Board and Director	Attorney and Partner at the law firm Seal Seidman S.E.N.C.	December 2004	Nil
ALFREDO PÉREZ⁽²⁾ Brossard, Québec	Independent Director	Financial consultant	October 2007	Nil
MARTIN FONTAINE⁽³⁾ St. Hubert, Québec	Independent Director	Notary and Consultant in cinema productions and in information technologies	October 2007	Nil

(1) Member of the Audit Committee and member of the Compensation Committee.

(2) Chairman of the Audit Committee and member of the Compensation Committee.

(3) Chairman of the Compensation Committee and member of the Audit Committee.

During the last five years, all of the directors have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their names or with related or affiliated companies.

To the knowledge of Saratoga, except as described below, no director of Saratoga is, or has been within the past 10 years, a director or officer of any corporation that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied such corporation access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days, or, while such person was acting in that capacity or within one year thereafter, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Georges A. Durst, Donald W. Seal, Q.C., Alfredo Pérez, and Martin Fontaine were subject to a management cease trade order imposed by the *Autorité des marchés financiers* between July 30, 2008 and January 8, 2009 due to Saratoga's failure to file its March 31, 2008 annual financial statements within the requisite delay and Saratoga's failure to file its March 31, 2008 year-end financial statements within the requisite delay. In addition, Georges A. Durst, Donald W. Seal, Alfredo Pérez and Martin Fontaine held office as directors of Saratoga when the *Autorité des marchés financiers* issued a cease trade order in respect of the Common Shares: (i) from August 1, 2011 to August 16, 2011, due to Saratoga's failure to file its annual financial statements and related management's discussion and analysis for the year ended March 31, 2011 within the requisite delay, and (ii) from September 30, 2011 to November 7, 2011, due to Saratoga's failure to file its interim financial statements and related management's discussion and analysis for the three-month period ended June 30, 2011 within the requisite delay.

To the knowledge of Saratoga, no director of Saratoga has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or has entered into a settlement agreement with a Canadian securities regulatory authority, nor has any director of Saratoga been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed director.

To the knowledge of Saratoga, no director of Saratoga, nor any personal holding corporation of any such person, has, within the past 10 years, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

APPOINTMENT OF AUDITORS

MNP are the current auditors of Saratoga. At the Meeting, the holders of Common Shares will be requested to re-appoint MNP as auditors of Saratoga, to hold office until the next annual meeting of shareholders or until a successor is appointed, and to authorize the directors to fix their compensation. **The persons whose names are printed on the enclosed form of proxy intend to vote at the Meeting FOR such resolution, unless the Shareholder signatory of the proxy has indicated its intention to abstain from voting with respect to the appointment of auditors.**

The fees paid to MNP during the financial years ended March 31, 2012 and March 31, 2011 were as follows:

<u>Fees (in thousands dollars) ⁽¹⁾</u>	<u>2012</u>	<u>2011</u>
Audit fees ⁽¹⁾	\$115,000	\$115,000
Audit-related fees ⁽²⁾	Nil	Nil
Tax fees ⁽³⁾	3,400	Nil
<u>All other fees⁽⁴⁾</u>	<u>30,000</u>	<u>Nil</u>
Total	\$148,400	\$115,000

Notes:

- (1) "Audit fees" include fees necessary to perform the annual audit of the Company's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

- (2) “Audit-related fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax fees” include fees for all tax services other than those included in Audit fees. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice include assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and request for rulings or technical advice from tax authorities.
- (4) “All other fees” include all other non-audit services.

APPROVAL AND RATIFICATION BY SHAREHOLDERS OF PRESENTATION OF FINANCIAL STATEMENTS

At the Meeting, Shareholders will be asked to approve the Ratification Resolution in the form annexed hereto as Appendix “A”, authorizing Saratoga to present to Shareholders at the Meeting the financial statements in respect of a period ended earlier than the period provided by applicable Laws.

The Laws applicable to Saratoga require that the financial statements presented to the Shareholders at the Meeting be in respect of a period ending no more than six months prior to the date of the Meeting. However, given the date scheduled for the Meeting, the most recent annual financial statements to be presented to the Shareholders at the Meeting will cover a period that will have ended more than six months prior to the date of the Meeting.

The persons whose names are printed on the enclosed form of proxy intend to vote at the Meeting FOR the Ratification Resolution, unless the Shareholder signatory of the proxy has indicated its intention to vote against the Ratification Resolution.

STATEMENT OF EXECUTIVE COMPENSATION

The following disclosure has been prepared in compliance with the rules under *Form 51-102F6 Statement of Executive Compensation* adopted by the Canadian Securities Administrators.

COMPENSATION DISCUSSION AND ANALYSIS

Objectives

Saratoga’s Executive Compensation Program is comprised of base salaries, short-term incentives in the form of cash bonus opportunities, and long-term incentives in the form of participation in the share option plan of Saratoga. The various components of Saratoga’s Executive Compensation Program are designed to play a role in the following objectives, notably:

- (a) providing a fair and competitive level of compensation based on the market for comparable positions;
- (b) retaining and motivating its executives who are critical to Saratoga’s short- and long-term success;
- (c) rewarding performance and contribution, both on an individual basis and with respect to the business in general; and

- (d) reinforcing the relationships between the Shareholders' interests and the compensation and responsibility of Saratoga's executives.

Composition of the Compensation Committee

The compensation committee of Saratoga (the "**Compensation Committee**") is currently composed of the following three members: Martin Fontaine (Chairman), Alfredo Pérez and Donald W. Seal.

The Board of Directors has determined that Alfredo Pérez and Martin Fontaine are independent members of the Compensation and that Donald W. Seal is not an independent member of the Compensation Committee. See "Report on Corporate Governance – Board of Directors".

Role of the Compensation Committee

The role of the Compensation Committee is one of oversight of all the various components of Saratoga's Executive Compensation Program, which is designed to follow Saratoga's objectives as set out above.

Base Salary

Individual executive salaries are normally set taking into account salaries paid in similar companies of comparable size and with the intent of attracting and retaining individuals with the appropriate skill sets and experience.

Short-Term Incentive Plan

Pay for performance is an important underlying principle of Saratoga's executive compensation philosophy. Following an outstanding performance of Saratoga for a given period, members of the management team receive a bonus or another form of specific compensation. These short-term incentives are paid shortly following the year in which they are earned.

In setting the salary and bonuses of the President of Car-Tel, the Compensation Committee reviews the impact of Car-Tel on the achievement of Saratoga's strategic objectives for the previous and current financial year.

Pursuant to his employment agreement commencing on October 1, 2009 and terminating on March 31, 2012, Luc Charlebois, the President of Car-Tel, is entitled to the following bonuses:

- (a) an amount of \$30,000 upon the filing of a declaration of out of court settlement in the lawsuit currently pending against Car-Tel;
- (b) an amount of \$25,000 in the event an agreement is entered into by Car-Tel with a specific service provider;
- (c) an amount of \$50,000 if a \$1.00 transactional surcharge is implemented by Car-Tel in connection with the sale of its prepaid telecommunications cards; and
- (d) an annual bonus of \$25,000 if the earnings of Car-Tel and Saratoga ATM exceed \$1,000,000, with an additional \$25,000 bonus being payable for each additional \$500,000 tranche of earnings between \$1,000,000 and \$2,500,000.

As at March 31, 2012, no bonuses have been paid by Saratoga pursuant to such employment agreement. As part of the Transaction, Luc Charlebois has agreed to forgo any future entitlement to the bonuses described above.

Long-Term Incentive Plan

Saratoga has adopted a share option plan (the “**Share Option Plan**”) in order to encourage the achievement of Saratoga’s growth objectives. Pursuant to the Share Option Plan, the directors of Saratoga may, from time to time, in their discretion, and in accordance with the requirements of the TSXV, grant non-transferable share options to the directors, executive officers, employees and consultants of Saratoga, provided that the aggregate number of Common Shares reserved for issue shall not exceed 855,000 Common Shares. Options granted pursuant to the Share Option Plan are exercisable for a period of up to five years from the date the option is granted. The number of Common Shares reserved for issue to any individual beneficiary under the Share Option Plan shall not exceed 5% of the aggregate number of issued and outstanding Common Shares, provided that the number of Common Shares reserved for issue to all consultants under the Share Option Plan shall not exceed 2% of the aggregate number of issued and outstanding Common Shares. Options granted pursuant to the Share Option Plan terminate on the date of termination of employment or of office, except that, subject to the prior expiry of the options, the options may be exercised within 30 days following such termination provided that it is not a termination for cause. Moreover, should the termination of employment or office occur by reason of death, the options may be exercised within one year following such death, subject to the prior expiry of the options.

The Share Option Plan stipulates that, in general, the number of options granted shall vest over an eighteen month period, in which 1/3 shall vest after six months, 1/3 shall vest after twelve months and 1/3 shall vest after eighteen months.

Options granted pursuant to the Share Option Plan shall have an exercise price no less than the market price of the Common Shares at the close of business on the day prior to the date of grant, less the maximum discount allowed under the policies of the TSXV.

No options have been granted by Saratoga pursuant to the Share Option Plan since December 12, 2007.

Compensation of the Chief Executive Officer and the Chief Financial Officer

In setting the Chief Executive Officer’s salary and bonus, the Compensation Committee reviews salaries paid to the executive officers of Saratoga, salaries and bonuses paid to other chief executive officers in the industry and the Chief Executive Officer’s impact on the achievement of Saratoga’s objectives for the previous and current financial year.

In setting the Chief Financial Officer’s salary, the Compensation Committee reviews salaries paid to the executive officers of Saratoga, salaries and bonuses paid to other chief financial officers in the industry and the Chief Financial Officer’s impact on the achievement of Saratoga’s objectives for the previous and current financial year.

SUMMARY COMPENSATION TABLE

The following table set out information concerning the compensation earned from Saratoga and any of Saratoga’s subsidiaries during the financial years ended March 31, 2012, 2011 and 2010 by Saratoga’s Chief Executive Officer, Chief Financial Officer and the other most-highly compensated executive officer of Saratoga other than the Chief Executive Officer and the Chief Financial Officer whose total salary, bonus and other annual compensation exceeded \$150,000 on March 31, 2012 (the “**Named Executive Officers**”).

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
GEORGES A. DURST	2012	Nil	Nil	Nil	Nil	Nil	Nil	46,765 ⁽¹⁾	46,765
Chief Executive Officer	2011	Nil	Nil	Nil	Nil	Nil	Nil	4,200 ⁽²⁾	4,200
	2010	124,053	Nil	Nil	Nil	Nil	Nil	11,300 ⁽³⁾	135,353
RICHARD VALLÉE	2012	Nil	Nil	Nil	Nil	Nil	Nil	165,357 ⁽⁴⁾	165,357
Chief Financial Officer	2011	Nil	Nil	Nil	Nil	Nil	Nil	133,600 ⁽⁴⁾	133,600
	2010	Nil	Nil	Nil	Nil	Nil	Nil	111,160 ⁽⁴⁾	111,160
LUC CHARLEBOIS	2012	106,727	Nil	Nil	Nil	Nil	Nil	11,492 ⁽⁵⁾	119,719
President, Car-Tel Distributions Inc.	2011	162,000	Nil	Nil	Nil	Nil	Nil	17,625 ⁽⁶⁾	179,625
	2010	113,292	Nil	Nil	7,000	Nil	Nil	19,850 ⁽⁷⁾	150,142

(1) Of this amount, Mr. Durst received compensation in the form of professional fees for consulting services provided to the Company in the amount of \$35,512, \$1,500 represents fees received in Mr. Durst's capacity as a director of the Company and \$9,753 represents a car allowance.

(2) Of this amount, \$1,500 represents fees received in Mr. Durst's capacity as a director of Saratoga and \$2,704 represents a car allowance.

(3) Of this amount, \$1,500 represents fees received in Mr. Durst's capacity as a director of Saratoga and \$9,800 represents a car allowance.

(4) Mr. Vallée received compensation in the form of professional fees for consulting services provided to Saratoga.

(5) Of this amount, \$1,500 represents fees received in Mr. Charlebois' capacity as a director of Saratoga and \$11,492 represents a car allowance.

(6) Of this amount, \$1,500 represents fees received in Mr. Charlebois' capacity as a director of Saratoga and \$16,625 represents a car allowance.

(7) Of this amount, \$4,500 represents fees received in Mr. Charlebois' capacity as a director of Saratoga and \$15,350 represents a car allowance.

INCENTIVE PLAN AWARDS

Outstanding Option-Based and Share-Based Awards

The following table sets forth the option-based incentive awards outstanding at March 31, 2012 for the Named Executive Officers. Saratoga had no share-based awards outstanding at March 31, 2012.

Name	Option-based awards		Option expiration date	Value of unexercised in-the-money options (\$)
	Number of securities underlying unexercised options (#)	Option exercise price (\$)		
GEORGES A. DURST Chief Executive Officer	Nil	Nil	Nil	Nil ⁽¹⁾
RICHARD VALLÉE Chief Financial Officer	Nil	Nil	Nil	Nil
LUC CHARLEBOIS President, Car-Tel Distributions Inc.	Nil	Nil	Nil	Nil

(1) Based on the closing price of the Common Shares on the TSXV on March 31, 2012 of \$0.05.

Value Vested or Earned During the Year

During the financial year ended March 31, 2012, the value of all incentive plan awards that vested or were earned by each Named Executive Officer was nil.

PENSION PLAN BENEFITS

Saratoga does not have any pension plans or deferred compensation plans.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Saratoga does not have any compensatory plan or arrangement in respect of compensation received or that may be received by any of the Named Executive Officers to compensate them in the event of the termination of their employment by way of resignation, retirement or change of control or in the event of a change in their responsibilities following a change of control of Saratoga.

DIRECTOR COMPENSATION

Overview

The Board of Directors is responsible for developing and implementing the directors' compensation plan. The main objectives of the directors' compensation plan are (i) to attract and retain the services of the most qualified individuals, (ii) to compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in board and board committee membership, and is competitive with other comparable public issuers, and (iii) to align the interests of the directors with those of the long-term Shareholders.

The Board of Directors has adopted a policy of remunerating its members through the payment of a fee of \$500 for each meeting of the Board of Directors attended and a fee of \$500 for each meeting of a committee of the Board of Directors attended.

The Board of Directors has adopted a policy of remunerating its special committee members for strategic review through the payment of a fee of \$500 for each meeting attended and a fee of \$200 for each meeting attended by teleconference.

Director Compensation Table

The following table summarizes the compensation paid, payable, awarded or granted for the financial year ended March 31, 2012 to each of the directors of Saratoga, other than Georges A. Durst whom is a Named Executive Officer and whose compensation is disclosed earlier in this Circular under the heading "Statement of Executive Compensation – Summary Compensation Table". The directors of Saratoga did not receive any grants of shares, grants of options, non-equity incentive plan compensation or pension benefits.

<u>Name</u>	<u>Fees earned (\$)</u>	<u>All other compensation (\$)</u>	<u>Total compensation (\$)</u>
DONALD W. SEAL, Q.C.	9,000 ⁽¹⁾	49,989 ⁽²⁾	58,989
ALFREDO PÉREZ	5,400 ⁽³⁾	Nil	5,400
MARTIN FONTAINE	9,000 ⁽¹⁾	Nil	9,000

(1) Of this amount, \$4,000 represents fees received in capacity as a director of Saratoga and \$5,000 represents fees received in capacity as member of the board special committee in strategic review.

(2) This amount represents professional fees paid for legal services provided to Saratoga by Seal Seidman S.E.N.C., of which Mr. Seal is a partner.

(3) Of this amount, \$4,000 represents fees received in capacity as a director of Saratoga and \$1,400 represents fees received in capacity as member of the board special committee in strategic review.

Incentive Plan Awards

Outstanding Option-Based Awards

The following table sets forth the option-based incentive awards outstanding at March 31, 2012 for each of the directors of Saratoga, other than Georges A. Durst and Luc Charlebois (who is not standing for re-election at the Meeting), each of whom is a Named Executive Officer and whose option-based incentive awards are disclosed earlier in this Circular under the heading “Statement of Executive Compensation – Incentive Plan Awards”. Saratoga had no share-based awards outstanding at March 31, 2012.

<u>Name</u>	<u>Option-based awards</u>			<u>Value of unexercised in-the-money options⁽¹⁾ (\$)</u>
	<u>Number of securities underlying unexercised options (#)</u>	<u>Option exercise price (\$)</u>	<u>Option expiration date</u>	
<u>ALFREDO PÉREZ</u>	30,000	0.27	December 12, 2012	Nil
<u>MARTIN FONTAINE</u>	30,000	0.27	December 12, 2012	Nil

(1) Based on the closing price of the Common Shares on the TSXV on March 31, 2012 of \$0.05.

Value Vested or Earned During the Year

During the financial year ended March 31, 2012, the value of all incentive plan awards that vested or were earned by each director was nil.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain details as at March 31, 2012, with respect to the Share Option Plan, being the sole compensation plan pursuant to which equity securities of Saratoga are authorized for issuance. A description of the Share Option Plan may be found earlier in this Circular under the heading “Statement of Executive Compensation – Compensation Discussion and Analysis”.

<u>Plan</u>	<u>Number of securities to be issued upon exercise of outstanding options</u>	<u>Weighted average exercise price of outstanding options</u>	<u>Number of Common Shares remaining available for future issuance under the Share Option Plan</u>
Share Option Plan	90,000	\$0.27	765,000

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at August 31, 2012, none of the executive officers, directors, employees or former executive officers, directors or employees of Saratoga or any of its subsidiaries was indebted to Saratoga or any of its subsidiaries and, as at the same date, the indebtedness, if any, of such persons to other entities was not the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by Saratoga or any of its subsidiaries.

MANAGEMENT CONTRACTS

Management services for Saratoga are not, to any substantial degree, performed by persons other than the executive officers of Saratoga. Saratoga was not subject to any management agreement for the financial year ended March 31, 2012.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

For the purpose of this Circular, an “**Informed Person**” of Saratoga means: (a) a director or executive officer of Saratoga; (b) a director or executive officer of a person or corporation that is itself an Informed Person or subsidiary of Saratoga; (c) any person or corporation who beneficially owns, directly or indirectly, voting securities of Saratoga or who exercises control or direction over voting securities of Saratoga or a combination of both, carrying more than 10% of the voting rights attached to all outstanding voting securities of Saratoga, other than voting securities held by the person or corporation as underwriter in the course of a distribution; and (d) Saratoga, if it has purchased, redeemed or otherwise acquired any of its own securities, for so long as it holds any of its securities.

To the knowledge of Saratoga, no Informed Person of Saratoga, and no associate or affiliate of any such person, at any time since April 1, 2011, has or had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction that has materially affected Saratoga, in any proposed transaction that could materially affect Saratoga, or in any matter to be acted upon at the Meeting, except as disclosed below.

From time to time, Saratoga receives advances from Georges A. Durst, the President, Chief Executive Officer and principal shareholder of Saratoga, as well as loans from various companies controlled by Mr. Durst. These advances are both non-interest bearing loans and loans bearing interest of no more than 18% annually. The outstanding balance of these advances fluctuates from time to time. As at September 5, 2012, the net balance of these advances was nil. In addition, Saratoga leases the premises in which it operates to companies controlled by Mr. Durst. The total annual rent payable in respect of these premises is \$21,925, which management of Saratoga believes to be at market rate.

REPORT ON CORPORATE GOVERNANCE

National Policy 58-201 - Corporate Governance Guidelines and *National Instrument 58-101 - Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators set out a series of guidelines for effective corporate governance. The guidelines address such matters as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as Saratoga, must disclose on an annual basis and in prescribed form, the corporate practices that it has adopted. The following is Saratoga’s required disclosure of its corporate governance practices.

Board of Directors

For the next financial year, Saratoga proposes that its Board of Directors be composed of four directors, two of whom shall be independent directors within the meaning of *National Instrument 58-101 - Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

The Board of Directors considers Alfredo Pérez and Martin Fontaine to be independent. The Board of Directors considers that Georges A. Durst is not independent in that he is an executive officer of Saratoga and its majority Shareholder and Donald Seal is not independent in that he renders legal services to Saratoga.

If necessary, the independent members of the Board of Directors are able to meet without the non-independent directors being present.

Directorships

None of the directors of Saratoga currently serves as a director of any other reporting issuer.

Orientation and Continuing Education

Saratoga does not currently have a formal orientation program for new directors, but the Board of Directors strongly recommends that its members attend the TSXV's formal training sessions or other relevant training sessions provided by outside parties.

Ethical Business Conduct

In light of Saratoga's stage of development and its limited number of employees, the Board of Directors has not taken formal steps, other than through discussions among its members, to encourage and promote a culture of ethical business conduct. Saratoga does take measures to ensure that the directors do not trade in Saratoga's shares at a time when disclosure of material information is pending.

Nomination of Directors

The Compensation Committee is responsible for recommending potential new directors.

Compensation

Saratoga has adopted a policy of paying to the director's fees for participating in meetings of the Board of Directors and in meetings of its various committees. The details of the remuneration are set out earlier in this Circular under the heading "Statement of Executive Compensation – Director Compensation".

Saratoga's Executive Compensation Program is administered by the Compensation Committee. The Compensation Committee has, as part of its mandate, primary responsibility for making recommendations for approval by the Board of Directors with respect to the appointment and remuneration of executive officers of Saratoga. The details of such remuneration are set out earlier in this Circular under the heading "Statement of Executive Compensation".

Other Board Committees

Saratoga does not have any standing committees other than the Audit Committee and the Compensation Committee.

Assessments

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

AUDIT COMMITTEE INFORMATION

Composition of the Audit Committee

The audit committee (the "**Audit Committee**") of Saratoga is currently composed of the following three members: Alfredo Pérez (Chairman), Martin Fontaine and Donald W. Seal, each of whom, other than Donald W. Seal, has been determined by the Board of Directors to be independent. Based on the education and breadth and depth of experience of each member of the Audit Committee, the Board of Directors has determined each such member to be financially literate.

Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee:

Alfredo Pérez (Independent Member) - Mr. Pérez has a BA from *Université du Québec à Montréal* (“UQAM”) in Business Administration and an MBA from UQUAM. Mr. Pérez has been involved in corporate finance for over 20 years. During such time, Mr. Pérez has been closely involved in all aspects of such companies’ financial reporting processes.

Martin Fontaine (Independent Member) - Mr. Fontaine has a BA from Ottawa University and a law degree from *Université de Montréal*. He practiced as a notary for twelve years and then specialized in commercial business development for over ten years. In such capacity, Mr. Fontaine has had extensive exposure to the preparation and interpretation of financial statements.

Donald W. Seal, Q.C. (Non-Independent Member) – Mr. Seal is an attorney and a senior partner at the law firm Seal Seidman S.E.N.C. He has a BA and BCL from McGill University and has been in practice for fifty-six years. Mr. Seal has extensive business experience and is knowledgeable about the interpretation of financial statements.

Audit Committee Charter

The responsibilities and duties of the Audit Committee are set out in the Audit Committee’s Charter, the text of which is attached as Appendix “C” to this Circular. The Charter was adopted on August 20, 2007.

Reliance on Certain Exemptions

Saratoga is relying upon the exemption in Section 6.1 of *National Instrument 52-110 - Audit Committees* in respect of the composition of its audit committee and in respect of its reporting obligations under NI 52-110 for the year ended March 31, 2012. This exemption exempts a Venture issuer from the requirement to have 100% of its member’s independent, as would be required by NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies or procedures for the engagement of non-audit services.

AVAILABLE INFORMATION

Additional information relating to Saratoga is available on SEDAR at www.sedar.com. Financial information about Saratoga is provided in Saratoga’s comparative annual financial statements and management’s discussion and analysis for its most recently completed financial year.

Shareholders may request copies of Saratoga’s financial statements and management’s discussion and analysis by contacting the Secretary of Saratoga at 514-529-0663 or in person at 2975 Hochelaga, Montreal, Québec H1W 1G1.

SHAREHOLDER PROPOSALS

Persons entitled to vote at the next annual meeting of Saratoga who wish to submit a proposal for consideration at the meeting, must submit their proposal to Saratoga by October 1, 2012.

OTHER MATTERS

Management of Saratoga is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Annual and Special Meeting of Shareholders. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

DIRECTORS' APPROVAL

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

DATED: September 5, 2012

**BY ORDER OF THE BOARD OF DIRECTORS
OF SARATOGA ELECTRONIC SOLUTIONS
INC.**

(signed) "*Georges A. Durst*"

Georges A. Durst
Chief Executive Officer

CERTIFICATE OF SARATOGA ELECTRONIC SOLUTIONS INC.

September 5, 2012

The foregoing Circular contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(signed) "*Georges A. Durst*"
Chief Executive Officer

(signed) "*Richard Vallée*"
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Alfredo Pérez*"
Director

(signed) "*Martin Fontaine*"
Director

APPENDIX "A"

RATIFICATION RESOLUTION

BE IT RESOLVED THAT:

1. Saratoga Electronic Solutions Inc. be authorized to present to its shareholders at the its annual meeting in respect of which a notice of meeting dated September 5, 2012 was delivered to shareholders, financial statements in respect of a period ended earlier than the period provided by applicable laws and regulations, and that any past irregularities that may have occurred in this regard be and are hereby ratified.
2. Any officer or director of Saratoga is hereby authorized and directed for and on behalf of Saratoga to execute or cause to be executed and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX “B”

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The mandate, the functions and the responsibilities of the Audit Committee, are the following:

I. PURPOSE

1. The Audit Committee provides recommendations to the Board of Directors of the Company. Its primary function is to assist the Board in fulfilling its responsibilities towards the shareholders of the Company and the financial community with respect to financial disclosure and controls.
2. The external auditors report to the Audit Committee.

II. DUTIES AND RESPONSIBILITIES

1. The Audit Committee oversees the integrity of the financial statements and review the financial reports and other financial disclosure of the Company which the Company may provide to any government, regulatory authority, or the public.
2. The Audit Committee recommends the appointment of the external auditors, review and assess their performance, ascertain their qualifications and independence, and maintain open communication lines between the external auditors, financial management, the executive officers and the directors of the Company.
3. The Audit Committee oversees the methods used for preparation of financial information, the application of internal controls and the rules for management of the business and financial risk, as well as compliance with the requirements of the TSX Venture Exchange (Regulations).

III. STRUCTURE AND ORGANIZATION

1. The Audit Committee shall be composed of at least three directors of the Company, the majority of whom shall not be employees, “control persons”, officers of the Company or a person that is connected with any of the foregoing.

The Committee members and the president of the Committee are appointed by the Board of Directors. The Board of Directors may at any time, in its discretion, remove a member from the Audit Committee by resolution.

All the members of the Audit Committee must be “financially literate”, that is, must have knowledge in financial matters to the satisfaction of the Board of Directors. The president of the Audit Committee must be an independent director.

2. The Committee shall meet at least four times a year and may convene additional meetings if circumstances require. All Audit Committee members are expected to attend each meeting, in person or via telephone or video-conference. The Committee may invite members of management, auditors or others to attend the meetings and provide pertinent information, if necessary. The quorum is a majority of the Committee.
3. The Committee must maintain open means of communication with the external auditors, financial management, the executive officers and the directors of the Company.

4. The Committee is empowered to investigate all questions that are brought to its attention and to consult advisors if, in its opinion, it is necessary.

5. The Committee shall be responsible for reviewing and recommending the following for approval by the Board:

- (a) The financial statements (annual and quarterly), the management's discussion and analysis and all other documents relating to the financial results of the Company to be filed with regulatory authorities such as securities commissions, prior to their filing or disclosure;
- (b) All documents containing or incorporating by reference the annual audited financial statements or the unaudited interim results (such as prospectuses or press releases announcing financial results) prior to their disclosure.

IV. GENERAL

1. Meet regularly with the external auditor, management and internal accountants in separate meetings to discuss questions raised by the Committee or others.

2. Keep minutes of all meetings. Report these proceedings and all recommendations to the Board of Directors at its next meeting.

3. Review this Charter annually and recommend such amendments to the Board of Directors as it may deem advisable.

4. Be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from financial statements and periodically assess the adequacy of these procedures.

V. RECRUITMENT OF EXTERNAL AUDITOR

1. Recommend the selection of the external auditors to the Board of Directors, assess their independence and performance, and approve the audit fees and any other remuneration to be paid to them.

2. Study the independence of the external auditor. To this end, the Committee must look into the nature of the services furnished by the external auditor and the remuneration charged and all other questions that the Committee deems appropriate.

3. The external auditor is to be at the disposal of the Board of Directors at least once a year.

4. Pre-approve all permitted non-audit services provided to the Company or its affiliates by the external auditor.

VI. SUPERVISION OF THE QUALITY AND INTEGRITY OF THE PRACTICES REGARDING ACCOUNTING, AUDIT AND PUBLICATION OF FINANCIAL INFORMATION OF THE COMPANY

1. Review the hiring policies regarding partners, associates and employees, past and present, of the present or former external auditors.

2. Oversee the work of the external auditor in the preparation and issuing of the auditor's report and other audit services. The Audit Committee will be responsible for the resolution of disagreements between management and the external auditors on financial reporting.
3. Review the financial statements, the management reports and the annual and interim earnings press releases concerning the results of the Company in cooperation with the management and the external auditor before the Company publicly discloses this information. The Committee should consider the quality of financial information and all other questions that it deems valid.
4. Review, in cooperation with the external auditors and management, the auditing objective, scope and limitations of the external auditors for the present and following year.
5. Review the annual report of the external auditor on the quality and effectiveness of the accounting controls, internal controls and controls of the computerized systems of the Company.
6. Establish procedures for the receipt, retention and treatment of complaints by employees, or other internal or external sources, concerning questionable accounting, internal accounting controls or auditing. These complaints must be treated in a confidential and anonymous way.
7. Review and approve all related party transactions entered into.

VII. PUNCTUALITY

1. Punctually review, in cooperation with management, all legal and statutory questions that could have an important effect on the financial statements and conformity policies or programs.
2. Review, in cooperation with management, and approve the operations by which members of management or the Board of Directors make disclosure in accordance with the requirements of the Regulation.
3. Supervise the compliance program and analyze periodically the relevance of making improvements to it and make suggestions in this respect to management.
4. Ensure that all other functions prescribed by law, statutes or internal regulations of the Company or by the Board of Directors are followed.
5. Review the fees for services rendered and related expenses and for any newly approved services since the preceding meeting and analyze updated account projections.
6. Review the insurance coverage of the Company annually to ensure that assets are properly covered, including, and without limitation, the liability insurance of senior executives and directors.

VIII. EMPOWERMENT

The Committee is empowered to:

1. Communicate directly with the external auditors.
2. Engage independent attorneys or other counselors that it deems necessary to the exercise of its functions and notify the Board on the range of the financing required for the remuneration of these counselors.

IX. DEFINITIONS

In accordance with National Instrument 52-110-*Audit Committees*:

Financially literate:

Refers to an individual who has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be expected to be raised by the Company's financial statements.

Control Person:

Means any person that holds or is one of combination of persons that hold a sufficient number of any of the securities of the Company so as to affect materially the control of the Company or more than 20% of the outstanding voting securities of the Company, except where there is evidence showing that the holding of those securities does not affect materially the control of the Company.