



18 Mowat Avenue, Toronto, Ontario, Canada M6K 3E8  
Tel: 416-534-0607 Fax: 416-534-9427  
www.yangaroo.com

## **NOTICE OF THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual and special meeting of the shareholders (the “Meeting”) of YANGAROO Inc. (the “Corporation”) will be held at 18 Mowat Avenue, Toronto, Ontario on June 27, 2012 commencing at 4:00 PM (EST) for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2011 together with the report of the auditors thereon;
2. to elect directors;
3. to appoint Collins Barrow Toronto LLP as auditors of the Corporation and to authorize the directors to fix the auditor's remuneration; and
4. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Accompanying this notice are the Circular containing details of the matters to be dealt with at the Meeting and a form of proxy.

Shareholders who are unable to attend the Meeting in person are requested to complete and sign the accompanying form of proxy and return it by mail in the enclosed return envelope or by facsimile. To be effective, proxies must be received by the Corporation's transfer agent, Equity Financial Trust Company, Suite 400, 200 University Avenue, Toronto, Ontario M5H 4H1, Attention: Proxy Department or by facsimile at 416-361-0470 prior to 5:00 p.m. (EST) on Monday, June 25, 2012, or if the Meeting is adjourned, by no later than 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting.

**DATED** at Toronto, Ontario, this 28<sup>th</sup> day of May 2012.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) “Clifford Hunt”

Chairman of the Board of Directors

# YANGAROO INC.

## Management Information Circular

### SOLICITATION OF PROXIES

This management information circular (the “Circular”) is furnished in connection with the solicitation by the management of YANGAROO Inc. (the “Corporation”) of proxies for use at the annual and special meeting of shareholders of the Corporation (the “Meeting”) to be held at 18 Mowat Avenue, Toronto, Ontario on June 27, 2012 commencing at 4:00 PM (EDT), and at any adjournment thereof, for the purposes set forth in the Notice of Meeting (the “Notice”). The solicitation will be primarily by mail, but directors, officers, employees or representatives of the Corporation may also solicit proxies personally or by telephone. All costs of solicitation will be borne by the Corporation. The information contained herein is given as at May 28, 2012, unless otherwise indicated.

All dollar amounts in this Circular are in Canadian dollars, except where otherwise indicated.

### APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are officers of the Corporation. *Each shareholder has the right to appoint a person other than the persons named in the enclosed form of proxy, who need not be a shareholder of the Corporation, to represent such shareholder at the Meeting or any adjournment thereof.* Such right may be exercised by inserting such person's name in the blank space provided in the form of proxy and striking out the other names or by completing another proper form of proxy.

### VOTING INSTRUCTIONS

#### Registered Shareholders

There are two methods by which registered shareholders (“Registered Shareholders”), whose names are shown on the books or records of the Corporation as owning common shares (“Common Shares”), can vote their Common Shares at the Meeting: in person at the Meeting, or by proxy. Should a Registered Shareholder wish to vote in person at the Meeting, he or she may still complete and return the form of proxy included with the Circular; and if required, the Registered Shareholder can revoke his or her proxy at the Meeting and instead vote in person. Should the Registered Shareholder not wish to attend the Meeting or not wish to vote in person, his or her vote should be voted by proxy through one of the methods described below and the Common Shares represented by the proxy will be voted or withheld from voting, in accordance with the instructions as indicated in the form of proxy, on any ballot that may be called for, and if a choice was specified with respect to any matter to be acted upon, the Common Shares will be voted accordingly. Please note that an individual voting on behalf of a corporation who is a Registered Shareholder must present certain documents at the Meeting, including a corporate signing resolution.

A Registered Shareholder may vote by proxy by using one of the following methods: (i) the paper form of proxy to be returned by mail or delivery; (ii) facsimile; or (iii) internet. The methods of using each of these procedures are described below:

#### *Voting by Mail*

A Registered Shareholder may vote by mail or delivery by completing, dating and signing the enclosed form of proxy and depositing it with Equity Financial Trust Company (the "Transfer Agent") using the envelope provided or by mailing it to:

Equity Financial Trust Company,  
200 University Avenue, Suite 400,  
Toronto, ON M5H 4H1  
Attention: Proxy Department

by no later than the close of business on Monday, June 25, 2012, or if the Meeting is adjourned, by no later than 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting.

#### *Voting by Facsimile*

A Registered Shareholder may vote by facsimile by completing, dating and signing the enclosed form of proxy and returning it by facsimile to the Transfer Agent at 416-595-9593. The form of proxy must be received by no later than the close of business on June 25, 2012, or if the Meeting is adjourned, no later than 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting.

A proxy voted by mail or fax must be in writing and must be executed by the Registered Shareholder or by an attorney authorized in writing or, if the Registered Shareholder is a corporation or other legal entity, by an authorized officer or attorney. Voting by mail is the only method by which a Registered Shareholder may choose an appointee other than the management appointees named on the proxy.

#### *Voting by Internet*

A Registered Shareholder may vote by internet following the instructions on the enclosed "Voting Options" form to logon to [www.voteproxyonline.com](http://www.voteproxyonline.com) and entering the Registered Shareholder's Control Number. The Control Number is printed above the mailing address on the proxy form received by the Registered Shareholder. Voting by internet must be completed no later than the close of business on June 25, 2012, or if the Meeting is adjourned, no later than 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting.

#### **Non-Registered Shareholders**

In the Circular and the enclosed form of proxy and Notice, all references to shareholders are to Registered Shareholders of Common Shares. Only Registered Shareholders of Common Shares, or the persons they appoint as their proxies, are permitted to vote at the Meeting. However, in many cases, Common Shares

beneficially owned by a holder (a “Non-Registered Shareholder” or “Beneficial Owner”) are registered either:

- in the name of an intermediary (an “Intermediary”) that the Non-Registered Shareholder deals with in respect of the Common Shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

There are two kinds of Beneficial Owners, those who object to their name being made known to the Corporation, referred to as objecting beneficial owners (“OBOs”) and those who do not object to being known by the Corporation, referred to as non-objecting beneficial owners (“NOBOs”). In accordance with the requirements of *National Instrument 54-101—Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Corporation has opted this year to distribute copies of the Notice, Circular, and the enclosed form of proxy (collectively, the “Meeting Materials”) to NOBOs directly. Whereas, the Meeting Materials will continue to be distributed to OBOs through clearing houses and Intermediaries, who often use a service company (such as Broadridge or ADP Investor Communications) to forward Meeting Materials to Non-Registered Shareholders.

The Meeting Materials are being sent to both Registered and Non-Registered Shareholders of the Common Shares. If you are a Non-Registered Shareholder, and the Corporation or its agent has sent these Meeting Materials directly to you, your name, address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf.

By choosing to send the Meeting Materials to NOBOs directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

#### *Objecting Beneficial Owners (“OBOs”)*

Intermediaries are required to forward Meeting Materials to OBOs unless an OBO has waived the right to receive them. Generally, OBOs who have not waived the right to receive Meeting Materials will either:

- (a) be given a proxy who has already been signed by the Intermediary (typically by a facsimile, stamped signature) and is restricted as to the number of Common Shares beneficially owned by the OBO but which is otherwise not completed. This form of proxy need not be signed by the OBO. In this case, the OBO who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Transfer Agent, by mail addressed to Equity Financial Company, Attention: Proxy Department, Suite 400, 200 University Avenue, Toronto Ontario M5H 4H1 or by facsimile at 416-361-0470, as applicable, or with the Chairman of the Corporation; or

- (b) is given a voting instruction form (“VIF”) which must be completed and signed by the OBO in accordance with the directions on the VIF (which may in some cases permit the completion of VIF by telephone, internet or facsimile).

#### *Non-Objecting Beneficial Owners (“NOBOs”)*

NOBOs can expect to receive the Meeting Materials with a form of proxy from the Transfer Agent. These proxies are to be completed and returned to the Transfer Agent in the envelope provided or by following the instructions contained on the proxy for facsimile, telephone or internet voting. The Transfer Agent will tabulate the results of the proxies received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the proxies they receive.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder may simply clearly print the name of the person to attend the Meeting in the space provided for this purpose on the proxy.

#### **REVOCATION OF PROXIES**

A shareholder who has given a proxy has the power to revoke it as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy and may do so (1) by delivering another properly executed proxy bearing a later date and depositing it as aforesaid, including within the prescribed time limits noted above; (2) by depositing an instrument in writing revoking the proxy executed by the shareholder or by the shareholder's attorney authorized in writing (i) at the registered office of the Corporation, 18 Mowat Avenue, Toronto, ON M6K 3E8 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the Chairman of the Meeting, prior to its commencement, on the day of the Meeting or any adjournment thereof; (3) by attending the Meeting in person and so requesting; or (4) in any other manner permitted by law. A Non-Registered Holder may revoke a proxy or a waiver of the right to receive Meeting Materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a proxy or of a waiver of the right to receive Meeting Materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

#### **VOTING AND DISCRETION OF PROXIES**

On any ballot that may be called for, the Common Shares represented by proxies in favour of the persons named by management of the Corporation will be voted for or against, or voted for or withheld from voting on, the matters identified in the proxy, in each case in accordance with the instructions of the shareholder. **In the absence of any instructions on the proxy, it is the intention of the persons named by management in the accompanying form of proxy to vote (a) for the election of management's nominees as directors; (b) for the appointment of management's nominee as auditor and the authorization of the directors to fix the remuneration of the auditor; and (c) in accordance with**

**management's recommendations with respect to amendments or variations of the matters set out in the Notice or any other matters which may properly come before the Meeting.**

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations of the matters identified in the Notice or any other matters that may properly come before the Meeting. As at the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters that may properly come before the Meeting other than the matters referred to in the Notice.

## **VOTING SHARES AND PRINCIPAL SHAREHOLDERS**

As at May 28, 2012, the authorized capital of the Corporation consisted of an unlimited number of Common Shares, of which 131,569,119 Common Shares were issued and outstanding.

A holder of record of Common Shares as at the close of business on May 28, 2012 (the "Record Date") is entitled to one vote for each Common Share held by him or her. The affirmative vote of a majority of the votes cast at the Meeting is required for approval of each matter set forth in this Circular.

In accordance with the *Business Corporations Act* (Ontario), the Corporation will prepare a list of holders of Common Shares on the Record Date. Each holder of Common Shares named in the list will be entitled to vote the Common Shares shown opposite his or her name on the list at the Meeting, except to the extent that the holder has transferred any of his or her shares after the Record Date and the transferee of those shares produces properly endorsed certificates evidencing the transferred shares or otherwise establishes that he or she owns the transferred shares and requests in writing, not later than the close of business on May 28, 2012 that the Transfer Agent include his or her name on the list of holders of Common Shares entitled to vote at the Meeting, in which case the transferee is entitled to vote the transferred shares at the Meeting.

As at May 28, 2012, to the knowledge of the directors and senior officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Common Shares other than Ingalls and Snyder LLC which holds 20,000,000 shares and CDS & Co. which holds 77,174,253 shares. CDS & Co. is a holding company for shares held in brokerage accounts for Non-Registered Holders. The Corporation's management does not know who beneficially owns these shares.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **Introduction**

The Board believes that effective corporate governance contributes to improved corporate performance and enhanced shareholder value. The Board has reviewed the corporate governance best practices identified in National Policy 58-201 *Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices* (collectively, the "CSA Guidelines"). The Board is committed to ensuring that the Corporation follows best practices and is in the process of developing such practices. The Corporation's specific disclosure relative to these guidelines is set below.

## **Board of Directors**

The responsibility of the Board is to supervise the management of the business and affairs of the Corporation in accordance with the best interests of the Corporation and all of its shareholders. In discharging its responsibility, the Board reviews the performance of the President, CEO and COO and oversees and reviews the development and implementation of the following significant corporate plans and initiatives:

- the Corporation's strategic planning and budgeting process;
- succession planning, including appointing, training and monitoring senior management; and
- the Corporation's public communications policies and continuous disclosure record.

The Board meets at least four times a year and more frequently if required. In 2011, the Board met seven times. In addition, the Board took numerous actions by written resolution.

## **Board Composition**

The Board was composed of six directors for the duration of 2011; however, effective February 29, 2012 Scott Wambolt resigned as director. All directors are elected annually.

The Corporation's six directors included Scott Wambolt, Clifford Hunt, Justin LaFayette, Howard Atkinson, Gary Moss, and Anthony Miller. Messrs. LaFayette, Atkinson, and Miller are independent directors as contemplated by the CSA Guidelines (i.e. each is independent of management and free from any interest in and any business or other relationship with the Corporation which could reasonably be expected to interfere with the exercise of the director's judgment). Mr. Moss was an independent director as contemplated by the CSA Guidelines for the duration of 2011 and during part of 2012, until he was appointed President and CEO of the Corporation upon Mr. Wambolt's resignation as President and CEO effective February 29, 2012. In determining whether a director is independent, the Board considers the specific circumstances of a director and the nature, as well as materiality, of any relationship between the director and the Corporation.

## **Board Committees**

There are two permanent Board committees: (i) the audit committee ("Audit Committee"); and (ii) the compensation committee ("Compensation Committee"). The Board may also appoint other temporary or permanent committees from time to time for particular purposes.

Currently, the Board does not have a corporate governance committee or nominating committee. The Board as a whole evaluates corporate governance requirements, the conduct of the Board and the respective roles of the committees; and identifies and recommends for nomination candidates for election as directors. The Board looks at the education and experience of potential nominees to the Board.

The following sets out the report of the Audit Committee as well as a summary of the responsibilities and activities of the other Board committees.

### *Audit Committee Report*

For the duration of 2011, Messrs. LaFayette, Atkinson, Miller and Moss were members of the Audit Committee, of which Mr. Moss was Chairman. They were all independent throughout 2011 for purposes of the Audit Committee. Upon Mr. Moss' appointment as President and CEO effective February 29, 2012, Mr. Moss resigned from the Audit Committee and Mr. Atkinson took over as Chairman. Each of the members of the Audit Committee is financially literate as defined in Multilateral Instrument 52-110. During the year ended December 31, 2011, the Audit Committee met four times. The Corporation as a venture issuer has relied on the exemptions in Section 6.1 of Multilateral Instrument 52-110 ("MI 52-110") exempting the Corporation from the requirements Part 5 (Reporting Obligations) of MI 52-110.

A copy of the charter of the Audit Committee is attached to this Circular as SCHEDULE "A" and will also be available electronically at [www.sedar.com](http://www.sedar.com). The Audit Committee assists the Board in carrying out its responsibilities relating to corporate accounting and financial reporting practices. The duties and responsibilities of the Committee include the following:

- reviewing for recommendation to the Board for its approval the principal documents comprising the Corporation's continuous disclosure record, including interim and annual financial statements and management's discussion and analysis;
- recommending to the Board a firm of independent auditors for appointment by the shareholders and reporting to the Board on the fees and expenses of such auditors. The Committee has the authority and responsibility to select, evaluate and if necessary replace the independent auditor. The Committee has the authority to approve all audit engagement fees and terms and the Committee, or a member of the Committee, must review and pre-approve any non-audit services provided to the Corporation by the Corporation's independent auditor and consider the impact on the independence of the auditor;
- reviewing periodic reports from the CFO;
- discussing with management and the independent auditor, as appropriate, any audit problems or difficulties and management's response; and
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

The Committee maintains direct communication during the year with the Corporation's independent auditor and the Corporation's senior officers responsible for accounting and financial matters. The Audit Committee has reviewed and discussed with management and the independent auditors the financial statements of the Corporation as at December 31, 2011 and management's discussion and analysis. Based on that review and on the report of the independent auditor of the Corporation, the Audit Committee recommended to the Board that the Corporation's financial statements and management's discussion and analysis be approved and filed with Canadian regulatory authorities.

The Audit Committee has recommended to the Board that the shareholders of the Corporation be requested to re-appoint Collins Barrow Toronto LLP, Chartered Accountants, as the independent auditor for 2012.

For the years ended December 31, 2011 and 2010, the fees accrued or paid by the Corporation for audit work and other services performed by Collins Barrow Toronto LLP were as follows:

	<b>2011</b>	<b>2010</b>
Audit services	\$36,565	\$38,625
Audit-related services	10,995	10,403
Tax services	3,605	16,983
Other services	4,565	3,296
	<u>\$55,730</u>	<u>\$69,307</u>

#### Audit service fees

Audit service fees were paid for professional services rendered by the auditors for audit of the financial statements including the services provided in connection with statutory and regulatory filings.

#### Audit-related services fees

The audit-related services provided were for assistance with preparation of unaudited quarterly financial statements.

#### Tax service fees

The tax services provided were for preparation of corporate and provincial tax returns.

#### Other service fees

The other services provided were for other miscellaneous matters.

Pursuant to the Audit Committee charter, the Audit Committee approved in advance all auditing services of the external auditors and related fees and terms and all non-audit service mandates including related fees and terms, to the extent permitted by applicable laws, regulations and policies. The Audit Committee may delegate to one or more members of the Audit Committee the authority to pre-approve non-audit services to be provided by the external auditors provided that any such approvals made by the designated individuals will be reported to the full Audit Committee at its next scheduled meeting.

#### *Compensation Committee*

The Compensation Committee assists the Board in carrying out its responsibilities relating to personnel matters, including performance, compensation and succession. The Compensation Committee is in the process of preparing terms of reference which will include developing annual objectives against which to assess members of management including the President, CEO and COO, reviewing and making recommendations to the Board with respect to employee and contractor compensation arrangements including stock options and management succession planning.

The Compensation Committee met four times in 2011. A part of each meeting is conducted without management present, including for the purpose of specifically discussing the compensation of the Chairman and the President and CEO. The members of the Committee during 2011 were Mr. Miller (Chair), Mr. LaFayette, Mr. Atkinson and Mr. Moss. Upon Mr. Moss' appointment as President and CEO effective February 29, 2012, Mr. Moss resigned from the Compensation Committee.

### Summary of Committee Memberships and Record of Attendance for 2011

During the year ended December 31, 2011, the Board and its committees held the following numbers of meetings:

Board .....	7 <sup>(1)</sup>
Audit Committee ("AC").....	4
Compensation Committee ("CC").....	4
Total number of meetings held.....	15

<sup>(1)</sup> In addition to the seven meetings held by the Board, a number of actions were taken by resolution in writing.

Director	Committee Memberships	Board Meetings Attended	Committee Meetings Attended
Clifford Hunt		7	AC-4
Scott Wambolt		7	
Howard Atkinson	AC, CC	7	AC-4; CC-4
Justin LaFayette	AC, CC	7	AC-3; CC-4
Gary Moss	AC, CC	7	AC-4; CC-4
Anthony Miller	AC, CC	7	AC-4; CC-4

### Ethical Conduct

The Corporation has implemented a written Code of Ethics (the "Code"). All directors, officers, employees and consultants of the Corporation will be expected to be familiar with the Code and to adhere to those principles and procedures set forth in the Code that apply to them. The Board will ultimately be responsible for the application of the Code to the affairs of the Corporation.

### Shareholder Feedback

The Board believes that management should speak for the Corporation in its communications with shareholders and others in the investment community and that the Board should be satisfied that appropriate investor relations programs and procedures are in place. Management communicates regularly with shareholders and others in the investment community to receive and respond to shareholder feedback.

The Board regularly reviews the Corporation's major communications with shareholders and the public, including management discussion and analysis, financial statements and management information circulars.

## Expectations of Management

The Board believes that it is appropriate for management to be responsible for the development of long-term strategies for the Corporation. Meetings of the Board are held, as required, to specifically review and deal with long-term strategies of the Corporation as presented by senior members of management.

The Board appreciates the value of having selected senior officers attend Board meetings to provide information and opinions to assist the directors in their deliberations. The Chair arranges for the attendance of senior officers at board meetings in consultation with the President and CEO.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### Election of Directors

The articles of the Corporation provide that the board of directors of the Corporation (the “Board”) shall consist of a minimum of one and a maximum of ten directors, the number of which may be fixed from time to time by a resolution of the Board. The Corporation had six directors for the duration of 2011. Effective February 29, 2012 Scott Wambolt resigned as director, so the Board currently sits with five directors. The number of directors proposed to be elected at the Meeting is six.

The following table lists certain information concerning the nominees for election as directors of the Corporation. The information as to principal occupations and the number of Common Shares beneficially owned or over which control or direction is exercised by each nominee has been furnished by the respective nominees individually.

<b>NAME, OFFICE AND MUNICIPALITY OR RESIDENCE</b>	<b>DIRECTOR SINCE</b>	<b>Number of Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised</b>	<b>Principal Occupation During the Past Five Years</b>
Gary Moss Director, President, CEO Etobicoke, Ontario	August 25, 2004	200,000 <sup>(3)</sup>	President and CEO, YANGAROO; business consultant, former Chief Operating Officer, IMAX Corporation since July 2009; independent consultant since May 1, 2008; Chief Operating Officer, Live Nation Artists (successor to Concert Productions International) since May 2006.
Clifford Gordon Hunt, Director, Chairman, Secretary and COO Mississauga, Ontario	1999	1,537,043 <sup>(4)</sup>	Chairman, Secretary and COO, YANGAROO

<b>NAME, OFFICE AND MUNICIPALITY OR RESIDENCE</b>	<b>DIRECTOR SINCE</b>	<b>Number of Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised</b>	<b>Principal Occupation During the Past Five Years</b>
Howard John Atkinson <sup>(1)(2)</sup> Director, Toronto, Ontario	November 16, 2007	2,200,000 <sup>(5)</sup>	President, Horizons ETFs Management Inc. (formerly BetaPro Management Inc.) since 2006; CEO, Horizons ETFs Inc. (formerly JovFunds Inc.) since 2011, President, 2007 – 2011; President, Alpha Pro Management Inc. 2008 – 2011.
Justin David Channing LaFayette <sup>(1)(2)</sup> Director, Toronto, Ontario	1999	42,500 <sup>(6)</sup>	President of Georgian Partners Fund LLP (a venture capital fund) since January 2008; Vice President of Strategy, Information Platform and Solutions, IBM Corporation since September 2005 to December 2008.
Anthony Miller <sup>(1)(2)</sup> Director, Toronto, Ontario	September 27, 2010	140,000 <sup>(7)</sup>	Director on the board of CARE Canada; retired Chairman of MacLaren McCann Advertising.
Sander Shalinsky <sup>(1)(2)</sup> Director, Toronto, Ontario	New Director	82,000	Managing Lawyer, Shalinsky & Company (a law firm) from 2008 to present; Trustee of Creative Wealth Monthly Pay Trust (a private mutual fund trust) since April 2011; Lawyer, Sheppard Shalinsky Brown (a law firm) from 2002 to 2008.

Notes:

- (1) Denotes a member or proposed member of the audit committee.
- (2) Denotes a member or proposed member of the compensation committee.
- (3) Gary Moss holds options to acquire 275,000 shares at an average exercise price of \$0.10 per share.
- (4) Cliff Hunt holds options to acquire 1,678,719 shares at an average exercise price of \$0.12 per share.
- (5) Howard Atkinson holds options to acquire 275,000 shares at an average exercise price of \$0.10 per share.
- (6) Justin LaFayette holds options to acquire 275,000 shares at an average exercise price of \$0.10 per share.
- (7) Anthony Miller holds options to acquire 150,000 shares at an exercise price of \$0.10 per share.

The term of office for each director will be from the date of the meeting at which he or she is elected until the next annual meeting or until his or her successor is duly elected or appointed.

### **Corporate Cease Trade Orders or Bankruptcies**

None of the directors or officers of the Corporation is, or has been within the ten years before the date of this Circular, a director or officer of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions under Canadian securities legislation for a period of more than 30 consecutive days or was declared bankrupt, 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 the assets of that company.

### **Penalties or Sanctions**

None of the directors or officers of the Corporation 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 or 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 making an investment decision.

### **Personal Bankruptcies**

None of the directors or officers of the Corporation has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or has 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 the director or officer.

### **Appointment of Auditors**

At the Meeting, it is proposed to re-appoint Collins Barrow Toronto LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual meeting of shareholders at remuneration to be fixed by the Board. Collins Barrow Toronto LLP and its affiliates have been the auditors of the Corporation since October 2002.

The aggregate fees billed by Collins Barrow Toronto LLP for audit and audit-related services in relation to the Corporation during the financial year ended December 31, 2011 were \$47,560. The aggregate fees billed by Collins Barrow Toronto LLP for all non-audit services were \$8,170.

### **Shareholder Rights Plan**

On August 18, 2008, the Board adopted a Shareholder Rights Plan (the "Rights Plan"). The Rights Plan was adopted to ensure the fair treatment of Shareholders in connection with any take-over bid. The Rights Plan seeks to provide Shareholders with adequate time to properly assess a take-over bid without undue pressure. It also provides the Board with more time to fully consider an unsolicited take-over bid and, if applicable, to explore other alternatives to maximize Shareholder value. The Rights Plan became effective on August 18, 2008 upon adoption by the Board. The Rights Plan was not adopted in response to any proposal to acquire control of the Corporation.

The Rights Plan is not intended to prevent take-over bids that treat Shareholders fairly. Under the Rights Plan, those bids that meet certain requirements intended to protect the interests of all shareholders are deemed to be “Permitted Bids”. Permitted Bids must be made by way of a takeover bid circular prepared in compliance with applicable securities laws and, among other conditions, must remain open for 60 days. In the event a take-over bid does not meet the Permitted Bid Requirements of the Rights Plan, the rights will entitle shareholders, other than any shareholder or shareholders making the take-over bid, to purchase additional Shares at a substantial discount to the market price of the Shares at that time.

The Corporation and Equity Financial Trust Company (the “Rights Agent”) entered into an agreement (the “Rights Plan”) dated as of June 17, 2009 to implement the Rights Plan. The complete text of the Rights Plan is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Rights Plan is also available to any Shareholder on request from the Secretary. Shareholders wishing to receive a copy of the Rights Plan should contact the Corporation by telephone at 416-534-0607 or by facsimile at 416-534-9427, in both cases to the attention of the Secretary. All capitalized terms used in this section of the Circular and not otherwise defined in this Circular have the meanings set forth in the Rights Plan unless otherwise indicated.

The Rights Plan was approved by the Board and the Toronto Stock Exchange and was ratified by the Shareholders at the Annual and Special Meeting of the Shareholders on June 17, 2009. No further amendments are proposed at this time.

## **EXECUTIVE COMPENSATION**

As required by Part 1(c) of National Instrument 51-102F5 – *Information Circular*, Form 51-102F6 – *Statement of Executive Compensation* for the year ended December 31, 2011 is appended as follows:

### **Compensation Discussion and Analysis**

The Corporation seeks to establish compensation plans for executive officers (collectively, the “Named Executive Officers” or “NEO”) that will attract, retain, and motivate qualified executives to join the Corporation and work diligently to attain the Corporation’s objectives. The Corporation’s board of directors has a Compensation Committee that is comprised of four independent directors that assists the Board in carrying out its responsibilities relating to personnel matters, including performance, compensation and succession. Compensation plans for NEO are developed by the President and CEO and submitted to the Compensation Committee for review and approval before being implemented.

The Corporation offers NEO compensation packages that included a combination of salary, bonus, stock options and a group health insurance plan. Salary levels are determined so as to be competitive with similar organizations in the Corporation’s region and to attract and retain NEO.

#### *Annual Incentives*

Annual incentives in the form of bonuses are offered to motivate NEO to achieve specific corporate goals for the year that include revenues, costs, profitability, technology development and cash flow. Bonuses

can be comprised of cash and stock options. The cash bonus portion NEO are eligible to earn is determined as a percentage of their salary. The achievement of financial goals is determined by comparing actual results to the Corporation's budget for the year. The amount of bonus earned is determined by the degree to which the goal was met, with higher amounts being earned for over-achievement. The President and CEO and the Chairman, Secretary and COO had the same annual bonus plan targets for the year ending December 31, 2011.

#### *Long Term Incentives*

Longer-term incentive compensation in the form of stock options are offered to align NEO interests with those of the Corporation's shareholders by providing an opportunity for NEO to benefit from growth in the value of the Corporation's shares over a period of several years. Stock options also encourage continued service to the Corporation. Option grants for NEO are recommended to the Board by the President and CEO and by the Compensation Committee. The board approves all option grants, setting their exercise price, vesting period and expiry. The number of options previously held by a NEO is considered when new grants are proposed. The President and CEO, and the Chairman, Secretary and COO each received different option grants during the year ending December 31, 2011, as illustrated in the table below.

## Summary Compensation Table

The following table sets forth the summary information concerning compensation earned by the Corporation's President and Chief Executive Officer ("CEO"), and the Chairman, Chief Operating Officer ("COO") and Secretary, and the Chief Financial Officer ("CFO") and each of the Corporation's most highly compensated executive officers who were serving as an executive officer (collectively, the "Named Executive Officers") during the most recently completed financial years ended on or after December 31, 2009.

Name and Principal Position	Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards <sup>(4)</sup> (\$)	Non-equity Incentive Plan Compensation		Pension Value <sup>(12)</sup> (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(11)</sup> (\$)	Long-term Incentive Plan (\$)			
Scott Wambolt <sup>(1)</sup> President & CEO	2011	228,333 <sup>(1)</sup>	Nil	60,438 <sup>(5)</sup>	Nil	Nil	Nil	3,800	292,571
	2010	128,692 <sup>(1)</sup>	Nil	186,561 <sup>(5)</sup>	Nil	Nil	Nil	1,527	316,780
John Heaven <sup>(2)</sup> President & CFO	2011	Nil	Nil	Nil	Nil	Nil	Nil	226,191 <sup>(2)</sup>	226,191
	2010	204,980	Nil	Nil	Nil	Nil	Nil	33,106 <sup>(2)</sup>	238,086
	2009	223,615	Nil	Nil	33,542	Nil	Nil	4,324	261,481
Cliff Hunt Chairman, Secretary & COO	2011	157,141	Nil	76,413 <sup>(6)</sup>	Nil	Nil	Nil	17,955 <sup>(13)</sup>	251,509
	2010	153,450	Nil	Nil	Nil	Nil	Nil	4,327	157,777
	2009	153,450	Nil	Nil	23,018	Nil	Nil	4,079	180,547
Michael Galloro CFO	2011	108,000	Nil	4,936 <sup>(7)</sup>	Nil	Nil	Nil	Nil	112,936
	2010	8,500	Nil	Nil	Nil	Nil	Nil	Nil	8,500
Richard Klosa CTO	2011	160,000	Nil	51,975 <sup>(8)</sup>	Nil	Nil	Nil	4,437	216,412
	2010	160,000	Nil	20,322 <sup>(9)</sup>	Nil	Nil	Nil	4,396	184,718
	2009	160,000	Nil	Nil	Nil	Nil	Nil	4,168	164,168
Karen Dealy <sup>(3)</sup> President, Advertising Operations	2011	178,040	Nil	Nil	Nil	Nil	Nil	Nil	178,040
	2010	65,366	Nil	76,860 <sup>(10)</sup>	Nil	Nil	Nil	Nil	142,226

- (1) Scott Wambolt's employment as President and CEO terminated effective February 29, 2012. His salary in 2010 included \$65,000 accrued in the year and paid out in 2011.
- (2) John Heaven's employment as President and CFO terminated effective November 30, 2010. As part of his compensation package, Mr. Heaven received a salary continuance of his last base rate and medical and dental benefits up to February 28, 2012, in recognition of his service to the Corporation. Under all other compensation for 2010, it included salary continuance of \$18,635 and vacation pay of \$10,320; and for 2011 it included salary continuance of \$223,615.
- (3) Karen Dealy's salary reported in the above table is the converted value in Canadian dollars.
- (4) The fair value of the option-based awards was estimated at the grant date using the Black-Scholes pricing model with the assumption that the options would be exercised on expiry date.
- (5) The Corporation granted Scott Wambolt 2,000,000 options on June 15, 2010 with exercise price of \$0.10 and expiry date June 15, 2015. These options should be vested and become exercisable based on his employment as CEO and President of the Corporation. As of December 31, 2011, 666,667 options were vested and have become exercisable. On February 29, 2012, the 1,333,333 unvested options were cancelled upon his resignation. In addition, the Corporation granted Scott Wambolt 1,775,000 options on June 15, 2010 with exercise price of \$0.10 and expiry date June 15, 2015 and 225,000 options on February 11, 2011 with exercise price of \$0.10 and expiry date February 11, 2016. All these options should be vested and become exercisable upon achieving certain company milestones. None of these options were vested and have become exercisable as of December 31, 2011 and all of them were cancelled upon his resignation on February 29, 2012. Scott Wambolt also received 869,503 options on August 18, 2011 with exercise price of \$0.10 and expiry date August 18, 2016. These options are not subject to any performance criteria. As of December 31, 2011, 86,950 options were vested and have become exercisable.
- (6) The Corporation granted Cliff Hunt 250,000 options on February 11, 2011 with exercise price of \$0.10 and expiry date February 11, 2016. These options should be vested and become exercisable upon achieving certain company milestones. As of December 31, 2011, none of these options were vested and have become exercisable. In addition, Cliff Hunt received 1,153,719 options on August 18, 2011 with exercise price of \$0.10 and expiry date August 18, 2016. These options are not subject to any performance criteria. As of December 31, 2011, 115,372 options were vested and have become exercisable.
- (7) Michael Galloro received 100,000 options on August 18, 2011 with exercise price of \$0.10 and expiry date August 18, 2016. These options are not subject to any performance criteria. As of December 31, 2011, 10,000 options were vested and have become exercisable.
- (8) The Corporation granted Richard Klosa 600,000 options on February 11, 2011 with exercise price of \$0.10 and expiry date February 11, 2016. These options should be vested and become exercisable upon achieving certain company milestones. As of December 31, 2011, none of these options were vested and have become exercisable. In addition, Richard Klosa received 106,539 options on August 18, 2011 with exercise price of \$0.10 and expiry date August 18, 2016. These options are not subject to any performance criteria. As of December 31, 2011, 10,654 options were vested and have become exercisable.
- (9) The Corporation granted Richard Klosa 300,000 options on April 20, 2010 with exercise price of \$0.10 and expiry date April 20, 2015. As of December 31, 2011, all of these options were vested and have become exercisable.
- (10) The Corporation granted Karen Dealy 1,000,000 options on August 23, 2010 with exercise price of \$0.10 and expiry date August 23, 2015. Of these, 500,000 options should be vested and become exercisable based on her employment as President, Advertising Operations of the Corporation and 500,000 options should be vested and become exercisable upon achieving certain company milestones. As of December 31, 2011, 166,667 of these options were vested and have become exercisable.

- (11) Annual incentive plan represents the cash bonuses earned in the reporting year and paid out in the same year or in the following year when audited financial statements have been completed.
- (12) The Corporation does not have a pension plan in place for its Named Executive Officers.
- (13) All other compensation in 2011 included vacation pay of \$13,575 to Cliff Hunt.

## Incentive Plan Awards

The following table sets forth information for each named executive officer for all awards outstanding at the end of the most recently completed financial year.

### OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS AS AT DECEMBER 31, 2011

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Scott Wambolt CEO	869,503 <sup>(1)</sup>	\$0.10	August 18, 2016	Nil	Nil	Nil
	225,000 <sup>(2)</sup>	\$0.10	February 11, 2016	Nil	Nil	Nil
	3,775,000 <sup>(3)</sup>	\$0.10	June 15, 2015	Nil	Nil	Nil
John Heaven President & CFO	80,000	\$0.10	November 19, 2013	Nil	Nil	Nil
	70,000	\$0.22	April 18, 2013	Nil	Nil	Nil
	125,000	\$0.32	May 24, 2012	Nil	Nil	Nil
Cliff Hunt Chairman & COO	1,153,719	\$0.10	August 18, 2016	Nil	Nil	Nil
	250,000 <sup>(4)</sup>	\$0.10	February 11, 2016	Nil	Nil	Nil
	80,000	\$0.10	November 19, 2013	Nil	Nil	Nil
	70,000	\$0.22	April 18, 2013	Nil	Nil	Nil
	125,000	\$0.32	May 24, 2012	Nil	Nil	Nil
Michael Galloro CFO	100,000	\$0.10	August 18, 2016	Nil	Nil	Nil
Richard Klosa CTO	106,539	\$0.10	August 18, 2016	Nil	Nil	Nil
	600,000 <sup>(5)</sup>	\$0.10	February 11, 2016	Nil	Nil	Nil
	300,000	\$0.10	April 20, 2015	Nil	Nil	Nil
	100,000	\$0.135	January 9, 2013	Nil	Nil	Nil
Karen Dealy President, Advertising Operations	1,000,000 <sup>(6)</sup>	\$0.10	August 23, 2015	Nil	Nil	Nil

(1) 869,503 stock options were granted to Scott Wambolt on August 18, 2011. Vesting of these options were not subject to any performance criteria. As of December 31, 2011, 10% (86,950) of these options were vested and have become exercisable. As of February 18, 2012, additional 30% (260,851) of these options were vested and have become exercisable. As a result of his resignation as President and CEO effective February 29, 2012, 60%

(521,702) of these options were cancelled and 40% (347,801) of these options would be forfeited if he does not exercise them by May 29, 2012.

- (2) 225,000 stock options were granted to Scott Wambolt on February 11, 2011. These options would have become exercisable when certain criteria were met. As of December 31, 2011, none of the criteria were met; therefore, no options have become exercisable. As a result of his resignation as President and CEO effective February 29, 2012, all of these options were cancelled.
- (3) 3,775,000 stock options were granted to Scott Wambolt on June 15, 2010. These options would have become exercisable when certain criteria were met. As of December 31, 2011, 666,667 options have become exercisable. As a result of his resignation as President and CEO effective February 29, 2012, the unvested 3,108,333 options were cancelled and the vested 666,667 options would be forfeited if he does not exercise them by May 29, 2012.
- (4) 250,000 stock options were granted to Cliff Hunt on February 11, 2011. These options would have become exercisable when certain criteria were met. As of December 31, 2011, none of the criteria were met; therefore, no options have become exercisable.
- (5) 600,000 stock options were granted to Richard Klosa on February 11, 2011. These options would have become exercisable when certain criteria were met. As of December 31, 2011, none of the criteria were met; therefore, no options have become exercisable.
- (6) 1,000,000 stock options were granted to Karen Dealy on August 23, 2010. These options should be vested and become exercisable when certain criteria have been met. As of December 31, 2011, 166,667 options have become exercisable.

The following table sets forth the value vested or earned from the incentive plan awards to each of the named executive officers for the most recently completed financial year.

**Incentive Plan Awards – Value Vested or Earned  
DURING THE YEAR ENDED DECEMBER 31, 2011**

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Scott Wambolt President & CEO	Nil <sup>(1)</sup>	Nil	Nil
John Heaven President & CFO	Nil <sup>(4)</sup>	Nil	Nil
Cliff Hunt Chairman & COO	Nil <sup>(1)</sup>	Nil	Nil
Michael Galloro CFO	Nil <sup>(1)</sup>	Nil	Nil
Richard Klosa CTO	Nil <sup>(1)(2)</sup>	Nil	Nil
Karen Dealy President, Advertising Operations	Nil <sup>(3)</sup>	Nil	Nil

- (1) 10% of the options granted to each of Scott Wambolt, Cliff Hunt, Michael Galloro and Richard Klosa on August 18, 2011 were vested during the fiscal year of 2011 and all of them were out of the money as at December 31, 2011.
- (2) 60% of the options granted to Richard Klosa on April 20, 2010 were vested during the fiscal year of 2011. All of them were out of the money as at December 31, 2011.
- (3) 33% of the options granted to Karen Dealy on August 23, 2010 were vested during the fiscal year of 2011. All of them were out of the money as at December 31, 2011.
- (4) John Heaven did not have options vested during the fiscal year of 2011.

**Defined Benefit or Contribution Plans**

The Corporation does not have a pension plan that provides for benefits at or in connection with retirement.

**Termination and Change of Control Benefits**

The Corporation reimburses its Executive Officers for all travel and other out-of-pocket expenses incurred in connection with the performance of their respective duties. The Corporation implemented an employment contract with the Chairman and COO in 2007. In the event employment of this executive is terminated on a without cause basis, he will receive a lump sum payment equal to twelve months base

salary, plus an additional lump sum payment equal to one month base salary for each additional fully completed year of service with the Corporation after December 31, 2007, or a pro-rated additional lump sum payment for any partial year of service after December 31, 2007. The executive will also receive a bonus payment equal to the bonus he received for the fiscal year prior to termination. The Corporation provides an insurance benefit package in the form of an employee group insurance plan (the "Benefit Package") and in the event of termination on a without cause basis the Corporation will continue to make its portion of any payments required to maintain the Benefit Package for the lump sum period referred to above, or the period required by applicable employment or labour standards legislation if that is longer than the lump sum period referred to above, in accordance with the terms of the applicable insurance policies. Any continued coverage under the Benefit Package will be conditional on the Executive's satisfying the terms and conditions of the applicable insurance policies.

The Corporation implemented an employment contract with the President and CEO in 2010; however, the Executive resigned effective February 29, 2012. The Executive's employment contract stated that upon resignation by the Executive, the Executive would not be entitled to receive any further compensation or benefits other than those which had accrued up to the Executive's last day of active service with the Corporation.

### **Management & Employment Agreements**

The provision of services by each of the Named Executive Officers is governed by employment agreements with the Corporation. The following summarizes the relevant features of each agreement including any subsequent amendments:

Mr. Wambolt tendered his resignation, terminating his employment agreement with the Corporation. Mr. Wambolt is prohibited from competing with the Corporation and/or soliciting employees of the Corporation until February 28, 2013.

Mr. Heaven's salary continuance at the rate of his last base salary, which was \$223,615, ended on February 28, 2012.

Mr. Hunt entered into an employment agreement with the Corporation on July 1, 2005. His annual base salary in 2011 was \$156,680 and his annual cash bonus potential is 50% of his base salary. Mr. Hunt is prohibited from competing with the Corporation and/or soliciting employees of the Corporation for a period of 12 months following the termination of his employment with the Corporation.

The Corporation entered into service agreement with ALOE Financial Inc. for Mr. Galloro's services on December 1, 2010. ALOE Financial Inc. is compensated at \$8,500 per month and an addition of \$1,500 per quarter.

Mr. Klosa entered into an employment agreement with the Corporation on January 14, 2008. His annual base salary is \$160,000 and his annual cash bonus potential was 40% of his base salary. Mr. Klosa is prohibited from competing with the Corporation and/or soliciting employees of the Corporation for a period of 12 months following the termination of his employment with the Corporation.

Ms. Dealy entered into an employment agreement with the Corporation on August 24, 2010. Her annual base salary is US\$180,000. Ms. Dealy's annual cash bonus potential is 50% of her salary. Ms. Dealy is prohibited from competing with the Corporation and/or soliciting employees of the Corporation for a period of 12 months following the termination of his employment with the Corporation.

### **Indebtedness of Directors, Executive Officers and Others**

At no time since the beginning of the Corporation's last financial year was any director, executive officer, proposed nominee for election as a director, or any of their respective associates indebted to the Corporation or any of its subsidiaries, nor was the indebtedness of any such person to another entity the subject of any guarantee, support agreement, letter of credit or similar arrangement provided by the Corporation or any of its subsidiaries.

### **Director Compensation**

For the year ended December 31, 2011 the board of directors was composed of a total of six directors. All directors are elected annually. The Corporation's six directors were Clifford Hunt, Scott Wambolt, Justin LaFayette, Howard Atkinson, Gary Moss, and Anthony Miller. Effective February 29, 2012 Scott Wambolt resigned as director.

For the year ended December 31, 2011 a majority (four of six) of the Corporation's directors were independent. Messrs. LaFayette, Atkinson, Miller and Moss were independent directors as contemplated by the CSA Guidelines (i.e. each is independent of management and free from any interest in and any business or other relationship with the Corporation which could reasonably be expected to interfere with the exercise of the director's judgment). Mr. Moss was an independent director as contemplated by the CSA Guidelines for the duration of 2011 and during part of 2012, until he was appointed President and CEO of the Corporation upon Mr. Wambolt's resignation as President and CEO effective February 29, 2012. In determining whether a director is independent, the Board considers the specific circumstances of a director and the nature, as well as materiality, of any relationship between the director and the Corporation.

The Corporation pays compensation to the independent directors only. The independent directors are compensated with an annual cash fee and with long-term incentives in the form of stock options.

There are two permanent Board committees: (i) the Audit Committee; and (ii) the Compensation Committee. The Board may also appoint other temporary or permanent committees from time to time for particular purposes.

#### *Audit Committee*

For the year ended December 31, 2011, Messrs. LaFayette, Atkinson, Miller and Moss were members of the Audit Committee, of which Mr. Moss was Chairman. Upon Mr. Moss' appointment as President and CEO effective February 29, 2012, Mr. Moss resigned from the Audit Committee and Mr. Atkinson became Chairman. They were all independent directors throughout 2011 for purposes of the Audit

Committee. Each of the members of the Audit Committee is financially literate as defined in Multilateral Instrument 52-110.

The Audit Committee assists the Board in carrying out its responsibilities relating to corporate accounting and financial reporting practices. The duties and responsibilities of the Audit Committee include the following:

- reviewing for recommendation to the Board for its approval the principal documents comprising the Corporation's continuous disclosure record, including interim and annual financial statements and management's discussion and analysis;
- recommending to the Board a firm of independent auditors for appointment by the shareholders and reporting to the Board on the fees and expenses of such auditors. The Committee has the authority and responsibility to select, evaluate and if necessary replace the independent auditor. The Committee has the authority to approve all audit engagement fees and terms and the Committee, or a member of the Committee, must review and pre-approve any non-audit services provided to the Corporation by the Corporation's independent auditor and consider the impact on the independence of the auditor;
- reviewing periodic reports from the CFO;
- discussing with management and the independent auditor, as appropriate, any audit problems or difficulties and management's response; and
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

The Audit Committee maintains direct communication during the year with the Corporation's independent auditor and the Corporation's senior officers responsible for accounting and financial matters.

#### *Compensation Committee*

The Compensation Committee assists the Board in carrying out its responsibilities relating to personnel matters, including performance, compensation and succession. The Compensation Committee is comprised of four independent directors. The members of the Compensation Committee during 2011 were Mr. Miller (Chair), Mr. LaFayette, Mr. Atkinson and Mr. Moss. Upon Mr. Moss' appointment as President and CEO effective February 29, 2012, Mr. Moss resigned from the Compensation Committee.

The Compensation Committee develops annual objectives against which to assess members of management including the President and CEO, and reviews and makes recommendations to the Board with respect to employee and contractor compensation arrangements including stock options and management succession planning.

A part of each meeting is conducted without management present, including for the purpose of specifically discussing the compensation of the Chairman and the President and CEO.

The following table sets forth information concerning compensation to each of the directors for the most recently completed financial year.

**Director Compensation Table  
for the Year Ended December 31, 2011**

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards <sup>(3)(4)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Howard Atkinson	Nil <sup>(1)</sup>	Nil	\$8,829	Nil	Nil	Nil	\$8,829
Justin LaFayette	Nil <sup>(1)</sup>	Nil	\$8,829	Nil	Nil	Nil	\$8,829
Anthony Miller	Nil <sup>(2)</sup>	Nil	\$8,829	Nil	Nil	Nil	\$8,829
Gary Moss	Nil <sup>(1)</sup>	Nil	\$8,829	Nil	Nil	Nil	\$8,829

- (1) Each independent director should have earned a fee of \$15,000 in the year of 2011. However, the fees have been accrued but not been paid out to the directors except Anthony Miller as of the date of the Circular.
- (2) Anthony Miller has received in advance the director's fee of \$15,000 for the service year of 2010-2011. The fee was paid out in 2010.
- (3) In November 2010, the board approved to grant each independent director 50,000 options exercisable at \$0.10 per share. However, due to a temporary restriction imposed by TSX Venture Exchange, these options were granted on February 11, 2011. The expiry date of the options granted is February 11, 2016.
- (4) On August 18, 2011, the company granted each independent director 100,000 options exercisable at \$0.10 per share. The expiry date is August 18, 2016.

## Incentive Plan Awards to Directors

The following table sets forth information for each director for all awards outstanding at the end of the most recently completed financial year.

### Outstanding Share-Based Awards and Option-Based Awards AS AT DECEMBER 31, 2011

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Howard Atkinson	100,000	\$0.10	August 18, 2016	Nil	Nil	Nil
	50,000	\$0.10	February 11, 2016	Nil	Nil	Nil
	50,000	\$0.11	November 18, 2014	Nil	Nil	Nil
	50,000	\$0.10	November 19, 2013	Nil	Nil	Nil
	25,000	\$0.13	November 27, 2012	Nil	Nil	Nil
Justin LaFayette	100,000	\$0.10	August 18, 2016	Nil	Nil	Nil
	50,000	\$0.10	February 11, 2016	Nil	Nil	Nil
	50,000	\$0.11	November 18, 2014	Nil	Nil	Nil
	50,000	\$0.10	November 19, 2013	Nil	Nil	Nil
	25,000	\$0.13	November 27, 2012	Nil	Nil	Nil
Anthony Miller	100,000	\$0.10	August 18, 2016	Nil	Nil	Nil
	50,000	\$0.10	February 11, 2016	Nil	Nil	Nil
Gary Moss	100,000	\$0.10	August 18, 2016	Nil	Nil	Nil
	50,000	\$0.10	February 11, 2016	Nil	Nil	Nil
	50,000	\$0.11	November 18, 2014	Nil	Nil	Nil
	50,000	\$0.10	November 19, 2013	Nil	Nil	Nil
	25,000	\$0.13	November 27, 2012	Nil	Nil	Nil

The following table sets forth the value vested or earned from the incentive plan awards to each of the directors for the most recently completed financial year.

**Incentive Plan Awards – Value Vested or Earned  
DURING THE YEAR ENDED DECEMBER 31, 2011**

Name	Option-based awards – Value vested during the year  (\$)	Share-based awards – Value vested during the year  (\$)	Non-equity incentive plan compensation – Value earned during the year  (\$)
Howard Atkinson	Nil <sup>(1)(2)(3)</sup>	Nil	Nil
Justin LaFayette	Nil <sup>(1)(2)(3)</sup>	Nil	Nil
Anthony Miller	Nil <sup>(2)(3)</sup>	Nil	Nil
Gary Moss	Nil <sup>(1)(2)(3)</sup>	Nil	Nil

- (1) 30% of the options granted to Howard Atkinson, Justin LaFayette and Gary Moss on November 18, 2009 were vested during the fiscal year of 2011 and all were out of the money as at December 31, 2011.
- (2) 40% of the options granted to each director on February 11, 2011 were vested during the fiscal year of 2011 and all were out of the money as at December 31, 2011.
- (3) 10% of the options granted to each director on August 18, 2011 were vested during the fiscal year of 2011 and all were out of the money as at December 31, 2011.

**Directors' and Officers' Liability Insurance**

During the year the Corporation had Directors' and Officers' insurance in place providing \$1 million in coverage for a premium of \$15,000.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed in this Circular, no insider of the Corporation or proposed nominee for election as a director of the Corporation, nor any of their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or will materially affect the Corporation or any of its subsidiaries.

Except as otherwise disclosed in this Circular, no person who has been a director or senior officer of the Corporation since the commencement of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any of their respective associates or affiliates, has any material interest, direct or indirect, in any matter to be acted upon at the Meeting.

**OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The management knows of no matters to come before the Meeting other than as set forth in this Circular. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ENCLOSED FORM OF PROXY WILL**

BE USED TO VOTE ON SUCH MATTERES IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.

### **ADDITIONAL INFORMATION**

Additional financial information for the Corporation is available in the Corporation's audited financial statements for the year ended December 31, 2011 and related management's discussion and analysis for the year ended December 31, 2011, which have been filed with Canadian securities regulators and are available under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

On February 11, 2011 the Corporation announced closing of the private placement previously announced on December 24, 2010. The Corporation raised \$1,125,000 of the maximum \$1,140,000 in convertible debentures (the "February Debentures"). The February Debentures have an 18 month term, interest free until July 31, 2011 and thereafter interest is payable semi-annually at 15% per annum. The Debentures are secured by a general security agreement over the assets of the Corporation and are convertible into common shares of the Corporation at \$0.10 per share. The agents, Fraser Mackenzie Limited and Brimberg & Co were paid a fee of \$60,000, and granted non-transferable options to acquire 600,000 common shares of the Corporation at \$0.10 per share, which options expire on February 11, 2013.

The Corporation has also received shareholder approval of an amendment to its Incentive Stock Option Plan, to increase the number of shares issuable under the plan to 11,804,761. The Board granted to each of the four independent directors of the Corporation, Gary Moss, Justin Lafayette, Anthony Miller and Howard Atkinson, options to acquire 50,000 shares. The Board also granted 225,000 options to Scott Wambolt as President and CEO; 250,000 options to Cliff Hunt as Chairman, COO and Secretary; and 600,000 options to Richard Klosa as CTO. All of these options were issued at \$0.10 per share and are exercisable until February 10, 2016.

On June 16, 2011 the Corporation announced that it would undertake a debt financing transaction valued at up to \$4,500,000. Pursuant to the transaction, the Corporation proposed to issue up to \$2,557,000 principal amount of senior secured debentures at 18% interest per annum (the "June Debentures"). The Corporation would also amend its previously issued \$818,000 principal amount convertible debentures at 12% interest per annum maturing on March 31, 2012 and \$1,125,000 principal amount convertible debentures maturing on July 31, 2012 (collectively the "Amended Debentures", and together with the June Debentures the "Debentures") to reflect the terms of the June Debentures, subject to the requisite approval by the holders thereof.

The Debentures would, among other things, be non-convertible and repayable upon demand (after the first anniversary of their issuance), subject to the requisite determination by the Debenture holders to make demand for repayment. In addition, in the event of an asset sale in excess of \$3,000,000, the Corporation would be required to offer to repurchase a minimum of 50% of its outstanding Debentures, plus all accrued and unpaid interest due, at a price equal to 100%. Debenture holders would also have a right of first refusal to participate in future offerings by the Corporation, subject to the satisfaction of certain conditions. In turn, the Corporation may redeem the Debentures in the event that it has first raised a minimum of \$4,000,000 of "net new cash", which would include the proceeds raised from the issuance

of the New Debentures but would exclude, among other things, the proceeds from the repayment of any debentures that, in turn, are used to fund the purchase of new securities of the Corporation.

In accordance with the rules of the TSX Venture Exchange, the Corporation proposed to issue up to an aggregate of 13,636,666 “bonus” common shares to purchasers of the New Debentures and holders of the previously issued debentures, which would be converted into the Amended Debentures, assuming the Corporation completes the maximum amount of the proposed transaction.

On June 28, 2011 the Corporation announced that it had resolved its litigation with Destiny Media Technologies, Inc. (“Destiny”). As part of the confidential agreement, the parties agreed that all allegations of infringement and invalidity on any existing or pending patents of the Corporation would immediately cease.

As a result, Destiny dropped the Canadian patent invalidity proceedings and its defamation action against the Corporation and certain of its officers. The Corporation dropped its counterclaim for patent infringement in Canada and dropped its defamation counterclaim against Destiny and its CEO.

As part of the settlement, neither party would pursue legal fees, court costs or royalties pursuant to the above mentioned disputes. In consideration of the settlement, the Corporation paid Destiny a lump sum amount totaling \$600,000, and granted Destiny certain intellectual property rights relating to the two patents held by the Corporation which were the subject matter of the dispute.

On August 19, 2011 the Corporation announced that the Board granted to its independent directors, its officers and management stock options to acquire 2,629,761 common shares at \$0.10 per share. All the options are exercisable until August 18, 2016.

On November 28, 2011 the Corporation announced that the Board of Directors appointed CEO, Scott Wambolt, to the position of President of YANGAROO. Due to inadvertence, YANGAROO's Board of Directors had not appointed a President to replace John Heaven upon his resignation on November 30th, 2010. Mr. Wambolt has held the position of CEO since June 14th, 2010 and had undertaken those duties that would otherwise be performed by the President since Mr. Heaven's resignation. As such, Mr. Wambolt's duties, responsibilities and compensation at the Corporation did not change with this new appointment.

Upon request made to the Chairman of the Corporation at 18 Mowat Avenue, Toronto, ON M6K 3E8 the Corporation will provide a shareholder of the Corporation with a copy of its audited financial statements for the year ended December 31, 2011 and related management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2011.

## **APPROVAL BY BOARD OF DIRECTORS**

The contents and the sending of this Circular have been approved by the board of directors of the Corporation.

DATED at Toronto, this 28<sup>th</sup> day of May, 2012.

By Order of the Board of Directors

(Signed) "Clifford Hunt"

Chairman

## **SCHEDULE “A”**

### **YANGAROO Inc. Audit Committee – Terms of Reference**

The purpose of the Audit Committee shall be to assist the Board in its oversight of the integrity of the financial statements of the Corporation, of the Corporation's compliance with legal and regulatory requirements, of the independence and qualification of the independent auditors, and of the performance of the Corporation's internal audit function and independent auditors.

#### **CHAIR**

The Board appoints or re-appoints the Chair of the Committee annually when it completes the appointments for all Board committee members following the Annual General Meeting of shareholders. In selecting the Chair, the Board takes into consideration those directors who bring background skills and experience relevant to financial statement review and analysis. The Chair shall also be “financially literate” as such term is defined under applicable Canadian regulatory requirements.

The Chair shall provide leadership to Committee members in fulfilling the mandate set out in these terms of reference. He or she shall work with the Chief Executive Officer and the Chairman of the Board in planning Committee meetings and agendas. The Chair of the Committee reports to the Board on behalf of the Committee on the matters and issues covered or determined at each Committee meeting.

#### **RESPONSIBILITIES**

In assisting the Board in fulfilling its responsibilities relating to the Corporation's corporate accounting and reporting practices the Audit Committee shall:

1. review and discuss with management and the independent auditors the annual audited financial statements, the quarterly financial statements, Management's Discussion and Analysis accompanying such financial statements and any other matter required to be reviewed under applicable legal, regulatory or stock exchange requirements, and report thereon to the Board;
2. review the results of the external audits and any changes in accounting practices or policies and the financial statement impact thereof;
3. review the terms of engagement and audit plans of the external auditors and determine through discussion with the auditors that no restrictions were placed by management on the scope of their examination or on its implementation;
4. assess management's programs and policies regarding the adequacy and effectiveness of internal controls over the accounting and financial reporting system within the Corporation;
5. recommend to the Board a firm of independent auditors for appointment by the shareholders and report to the Board on the fees and expenses of such auditors. The Committee shall have the

authority and responsibility to select, evaluate and if necessary replace the independent auditors. The Committee shall have the authority to approve all audit engagement fees and terms and the Committee, or a member of the Committee, must review and pre-approve any non-audit service provided to the Corporation by the Corporation's independent auditors and consider the impact on the independence of the auditors;

6. enquire into and report regularly to the Board, with associated recommendations, on any matter referred to the Committee;
7. discuss with management and the independent auditors, as appropriate, earnings press releases and any financial information and earnings guidance provided to analysts and rating agencies;
8. discuss with management and the independent auditors, as appropriate, any audit problems or difficulties and management's response, and the Corporation's risk assessment and risk management policies, including the Corporation's major financial risk exposure and steps taken by management to monitor and mitigate such exposure;
9. obtain and review at least annually a formal written report from the independent auditors delineating the auditing firm's procedures for reviewing internal controls and any material issues raised by (i) the auditing firm's internal quality-control reviews, (ii) peer reviews of the firm, or (iii) any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the foregoing reviews. Also, in order to assess auditor independence, the Committee will review at least annually all relationships between the independent auditors and the Corporation;
10. prepare and publish an annual Committee report in the Corporation's proxy circular;
11. conduct an annual self-evaluation in respect of the effectiveness of the Committee;
12. set clear hiring policies for employees or former employees of the independent auditors; and
13. establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The Committee shall hold in camera sessions without members of management as frequently as is determined necessary by the Committee members.

The Committee shall have authority to retain such outside counsel, experts and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

The Committee shall meet separately with the Corporation's independent auditors at least on an annual basis and more often as determined necessary by the Committee members.

The Committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

**Committee Composition:** Three or more members, of which the majority shall be independent directors. All members shall have sufficient financial experience, financial literacy and ability to enable them to discharge their responsibilities.

**Quorum:** Majority of members.

## **SCHEDULE "B"**

### **YANGAROO Inc.**

**18 Mowat Avenue  
Toronto, ON M6K 3E8**

### **Stock Option Plan**

### **INCENTIVE STOCK OPTION PLAN**

**As Amended January 20, 2011**

An Incentive Stock Option Plan (herein called the "Plan") for YANGAROO Inc. (the "Corporation") is hereby established with the intent of advancing the interests of the Corporation by encouraging and enabling the acquisition of an equity interest in the Corporation by the participants in the Plan.

1. The Board of Directors, or any committee thereof specifically designated by the Board of Directors to be responsible therefore (the "Committee"), shall, from time to time, by resolution designate those employees, directors, officers, consultants and other service providers, if any, who, in the opinion of the Board of Directors or such Committee, bear significant responsibility for the management and growth of the Corporation and who, as an additional inducement to promote the best interests of the Corporation, are entitled to participate in the Plan (herein referred to as the "Participant(s)") and shall determine the extent and terms of such participation by such Participants. For greater certainty, directors, officers, consultants and other service providers who may from time to time provide services to the Corporation but who are not otherwise full-time employees of the Corporation shall be eligible to become Participants. The judgement of the said Board of Directors or the Committee in designating Participants and the extent of their participation shall be final and conclusive; provided, however, that each designated Participant shall have the right not to participate in the Plan and any decision not to participate therein shall not affect his or her employment by, or other engagement with, the Corporation. The provisions of the Plan shall further be subject to and be deemed to be amended to comply with any and all requirements of any stock exchange or exchanges upon which the Corporation's common shares may from time to time be listed for trading and any other applicable regulatory authority (collectively, the "Regulatory Authorities"). The stock exchange requirements shall, while the Corporation's common shares are listed on the TSX Venture Exchange, include, without limitation, the requirements set out in Exhibit "A" to the Plan.
2. The Plan is the successor to the incentive stock option plan (the "Former Plan") adopted by the Corporation's shareholders at a meeting of the shareholders held on the 25<sup>th</sup> day of June, 2007 (as amended by the Corporation on June 15, 2010).
3. (a) The total number of authorized but unissued common shares allocated to and made available to be issued to Participants under the Plan shall not exceed 11,804,761 common shares

(including, for certainty, common shares subject to stock option agreements entered into pursuant to the terms of the Former Plan). Notwithstanding the provisions of the Plan, the grant of options under the Plan shall be subject to the regulations and policies in effect from time to time by the applicable Regulatory Authorities.

- (b) The Corporation represents that, in the event that it wishes to grant options under the Plan to “Employees”, “Consultants” or “Management Company Employees” (as those terms are defined for the purpose of TSX Venture Exchange Policy 4.4), it will only grant such options to Participants who are *bona fide* Employees, Consultants or Management Company Employees, as the case may be.

The exercise price to each Participant for each common share optioned to such Participant shall be determined by the Board of Directors or Committee but shall not, in any event, be less than the “Discounted Market Price” of the Corporation’s common shares on TSX Venture Exchange (as the term is defined in TSX Venture Exchange Policy 1.1) or such other price as may be agreed to by the Corporation and accepted by the TSX Venture Exchange which shall be based on the Corporation’s policy that the price would be the greater of (i) the three month weighted average trading price of the company’s shares, (ii) the closing price on the day prior to the grant of options, or (iii) \$0.10 (being the minimum permitted Discounted Market Price); provided that such exercise price per common share in respect of options granted within 90 days of a “distribution” by a “Prospectus” (as those terms are defined in TSX Venture Exchange Policy 1.1) shall not be less than the greater of the Discounted Market Price and the price per common share paid by public investors for listed shares of the Corporation under the Distribution.

- 4. Residents of the United States of America or any territory or possession thereof may be Participants in the Plan provided that such participation is in accordance with and does not violate any securities or other legislation, regulation or policy of the applicable governing authorities in the United States of America or any state, territory or possession thereof.
- 5. The Board of Directors or the Committee shall have the unfettered right to interpret the provisions of this Plan and to make such regulations and formulate such administrative procedures for carrying this Plan into effect and to make such changes therein and in the regulations and administrative provisions therein as, from time to time, the Board or the Committee deem appropriate in the best interests of the Corporation. The Board of Directors shall also have the unfettered right from time to time and at any time to rescind or terminate the Plan; provided, however, that no such rescission or termination shall impair or change the rights and options theretofore granted under the Plan without the prior written consent of the Participant or Participants affected thereby.
- 6. The Corporation shall pay all costs of administering the Plan.
- 7. The Board of Directors, the Committee or the specific option agreement entered into by the Participant may specify that the options granted hereunder may only be exercisable at certain

specified intervals. A written agreement shall be entered into between the Corporation and each person to whom an option is granted hereunder which agreement shall set out the option price and the terms and conditions on which the option may be exercised, all in accordance with the provisions of the Plan. The agreement shall be in such form as the Board of Directors may from time to time approve and as the rules and policies of the Regulatory Authorities permit and may contain such terms as may be considered necessary in order that the option will also comply with any provisions respecting stock options in the income tax or other laws in force in any country or jurisdiction or which the person to whom the option is granted may from time to time be a resident or citizen.

8. Subject to the policies, rules and regulations of the Regulatory Authorities, the Board of Directors may at any time, without further action by the shareholders, amend the Plan or any option granted hereunder in such respects as it may consider advisable, subject to pre-clearance of the amendment with the applicable Regulatory Authorities and, without limiting the generality of the foregoing, it may do so to ensure that options granted hereunder will comply with any provisions respecting stock options in the income tax and other laws in force in any country or jurisdiction of which a person to whom an option has been granted may from time to time be resident or citizen or it may at any time, without action by shareholders, terminate the Plan. The Board of Directors may not, however, without the consent of the option holder, alter or impair any of the rights or obligations under an option theretofore granted.

## **EXHIBIT “A”**

### **To the Incentive Stock Option Plan of YANGAROO Inc.**

The following provisions shall apply to the Plan and options granted there under:

- (a) options shall be non-assignable and non-transferrable;
- (b) options shall be exercisable for a maximum of ten years;
- (c) options over no more than 5% of the issued shares of the Corporation may be granted to any one individual in any 12 month period;
- (d) options over no more than 2% of the issued shares of the Corporation may be granted to any one Consultant in any 12 months period;
- (e) options over no more than an aggregate of 2% of the issued shares of the Corporation may be granted to an Employee conducting Investor Relations Activities in any 12 month period;
- (f) all option agreements entered into pursuant to the Plan shall contain a provision that the Optionee’s heirs or administrators can exercise any portion of the outstanding option for a period not exceeding one year from the date upon which the Optionee dies or becomes permanently disabled, physically or mentally;
- (g) options granted to Employees, Consultants or Management Company Employees shall expire within 90 days or such other reasonable period as is determined by the Board of Directors after the Optionee ceases to be in at least one of those categories. Any unexercised portion of this Option shall terminate and cease;
- (h) options granted to an Optionee who is engaged in Investment Relations Activities shall expire within 30 days after the Optionee ceases to be employed to provide investment Relations Activities;
- (i) disinterested Shareholder approval (obtained pursuant to the provisions of Section 2.10 of Policy 4.4 of the TSX-V) shall be required in the case of any reduction of the exercise price under the option held by an Optionee who is an Insider of the Corporation at the time of the proposed reduction; and
- (j) options shall contain such vesting provisions, if any, as is determined by the Board of Directors.

Capitalized terms used in this Exhibit “A” and not otherwise defined in the Plan shall have the meanings attributed thereto in TSX-V Policy 4.4 and any other applicable policy of the TSX-V.