

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE (HR&GC)

COMPOSITION AND MANDATE OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE COMPENSATION DISCUSSION AND ANALYSIS

The Board has established the Human Resources, Corporate Governance and Nominating Committee (the “HRCG&N Committee”) to take steps as the HRCG&N Committee deems appropriate within the scope of its charter to ensure that the Corporation has an effective plan of executive and management compensation, development and retention. This plan is to be competitive, motivating and rewarding to the degree that it will attract, retain and inspire executives who in turn will enhance the growth and profitability of the Corporation.

It is the responsibility of the HRCG&N Committee to make recommendations to the Board and to oversee all aspects of compensation and career development for the Corporation’s senior executives. It also reviews management’s recommendations for the granting of stock options to the executive officers and other key employees of the Corporation prior to the Board’s consideration and decision on the recommendation. The HRCG&N Committee (or the board as a whole), reviews the compensation of each senior executive annually, or as may be required, and recommends to the Board any adjustment required to maintain a competitive position.

The HRCG&N Committee is also responsible for reviewing, approving and reporting to the Board, annually or more frequently as required, the CEO’s succession plans for executive management including specific development plans and career planning for potential successors.

As at the date of this Circular, the HRCG&N Committee is comprised of Paul Fornazzari and Edwin Nordholm, with Mr. **Fornazzari** being the chair. Mr. Nordholm is an independent director under the standards established by Canadian securities regulatory authorities in National Instrument 58-101 Corporate Governance (“NI 58-101”).

Each HRCG&N Committee member has direct experience that is relevant to his responsibilities in executive compensation, as well as the skills and experience that enable him to make informed decisions on the suitability of the Corporation’s compensation policies and practices. They have held executive management roles with companies where the human resources department reported to them; or they gained executive compensation experience and skills as members of board of directors or board committees and/or as advisors to boards and committees where they gained direct experience and skills in human resources matters, including executive compensation.

Mr. Nordholm is a business executive and lawyer with extensive experience in corporate finance, mergers and acquisitions and corporate restructuring. Mr. Nordholm has served on the board of directors for numerous public and private companies. In his director and executive roles, Mr. Nordholm has been directly involved in establishing and overseeing executive compensation programs.

Mr. Fornazzari is a partner of Fasken Martineau DuMoulin LLP, one of Canada’s largest law firms. Mr. Fornazzari has acted for domestic and foreign public and private clients advising such clients and their boards on a wide variety of matters including corporate governance, executive compensation and compliance with securities laws. In his internal roles at Faskins and as an advisor to his clients, Mr. Fornazzari has extensively advised on compensation and employment agreement matters for senior executives as well as equity incentive plans for various companies.

COMPENSATION DISCUSSION AND ANALYSIS

It is the compensation philosophy of the Corporation to provide a blend of base salaries, bonuses and an equity incentive component in the form of options. The following summarizes these elements of compensation:

i) Base Salary

In determining the base salary of an executive officer, the Committee begins its analysis with a recommendation from the CEO of the Corporation and places weight on the following factors: the particular responsibilities relates to the position; salaries paid by comparable businesses in the technology sector; the experience level of the executive officer; and his or her overall performance.

ii) Bonus Payments

Executive officers are eligible for annual cash bonuses, after taking into account recommendations from management and giving weight to attainment of general corporate objectives and milestones, financial situation of the Corporation, and individual performance. The Committee places importance on the achievement of general corporate objectives and milestones when determining the level of bonuses (if any) to be paid. In taking into account the financial status of the Corporation, the Committee considers factors over which the executive officers can exercise control, such as, controlling costs, taking successful advantage of business opportunities and enhancing the competitive and business prospects of the Corporation.

iii) Long-Term Incentives

The Committee believes that granting stock options to key personnel encourages retention and more closely aligns the interests of executive management with the intent of shareholders. The inclusion of options in compensation packages allows the Corporation to compensate employees while not drawing on limited cash resources. Further, the Committee believes that the option component serves to further align the interests of management with the interest of the Corporation's shareholders. The amount of options to be granted is based on recommendations from management and include the relative contribution and involvement of the individual in question as well as taking into consideration previous option grants.

CHIEF EXECUTIVE OFFICER

The compensation for the Corporation's CEO is designed to be competitive with the average compensation designed for chief executive officers of comparable companies or competitors. Compensation for the CEO is subject to the same review and evaluation criteria that are applied to the compensation of the Corporation's other senior executives. Special emphasis is placed by the Committee on the performance of the CEO with respect to strategic planning and building and increasing shareholder value. The evaluation of the CEO's performance considers three areas, recognizing that the first carries the most weight:

- (i) achievement of general corporate objectives and standards of performance; and
- (ii) consistency of performance.

Risks Associated with Compensation Practices

The HRCG&N Committee has not formally considered or reviewed the implications of the risks associated with the Corporation's compensation policies and practices. Notwithstanding the foregoing, the HRCG&N Committee does not believe that the Corporation's current executive compensation policies and practices encourage its executive officers to take inappropriate or excessive risks as the Corporation's compensation structure provides a mix of short and long term rewards.