Annual Information Form

Rutter Inc.

November 29, 2011

For the Financial Year Ended August 31, 2011

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1. INFORMATION INCORPORATED BY REFERENCE

Unless otherwise noted or the context requires, the term "**Rutter**" or "**Company**" refers to Rutter Inc., its subsidiaries and its predecessor companies.

The following documents are incorporated by reference in this Annual Information Form **("AIF")**:

(a) the consolidated audited financial statements of Rutter for the years ended August 31, 2011 and 2010 together with the audit reports of Deloitte & Touche LLP Chartered Accountants (the **"Consolidated Financial Statements"**); and

(b) The Management's Discussion and Analysis for the year ended August 31, 2011 (the **"MD&A"**).

The documents incorporated by reference in this AIF are available on SEDAR at www.sedar.com.

Unless otherwise noted, all dollar references in this AIF are expressed in Canadian Dollars.

Certain statements made and information contained in this AIF and in the documents incorporated by reference herein may contain forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including those described under Risk Factors in this AIF, as well as in the sections of the Consolidated Financial Statements and the MD&A as incorporated by reference into this AIF. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Forward-looking statements in this AIF include statements regarding the expectations and beliefs of management and expectations of growth. We do not expect to update forward-looking statements continually as conditions change and you are referred to the full discussion of the Company's business contained in the Company's disclosure filed with the securities regulatory authorities. Readers are advised not to place undue reliance on forward-looking statements.

Unless stated otherwise, the information in this AIF is presented as of August 31, 2011.

2. CORPORATE STRUCTURE

2.1 Name and Incorporation

Rutter Québec was incorporated on February 1, 1937, pursuant to the *Mining Companies Act* (Québec) under the name Courvan Mining Company Limited. On July 25, 2002, it changed its corporate name to Rutter Technologies Inc. **("RTI")** and continued under Part 1A of the *Companies Act* (Québec).

Rutter Inc. was formed on March 26, 2004 under the *Canada Business Corporations Act* **(the "CBCA").** This was achieved by way of an amalgamation with Rutter Technologies Inc. (and its French version Technologies Rutter Inc.), a Québec public company **("Rutter Québec")**, the effect of which was identical to a continuation of Rutter under the CBCA.

Pursuant to the amalgamation, shareholders of Rutter Québec exchanged their shares of Rutter Québec for shares of Rutter. All outstanding warrants and options to acquire non-issued treasury shares of Rutter Québec became warrants and options to acquire non-issued treasury shares of Rutter and the assets of Rutter Québec became the assets of Rutter Inc.

On April 1, 2004, Rutter Technologies Inc. common shares ceased trading on the TSX Venture Exchange **(the "TSX-V")** and Rutter shares commenced trading on the Toronto Stock Exchange **(the "TSX")**. The trading symbol for Rutter's shares remained "RUT".

The Company's head office and registered office is located at 63 Thorburn Road, St. John's, Newfoundland and Labrador, Canada, A1B 3M2.

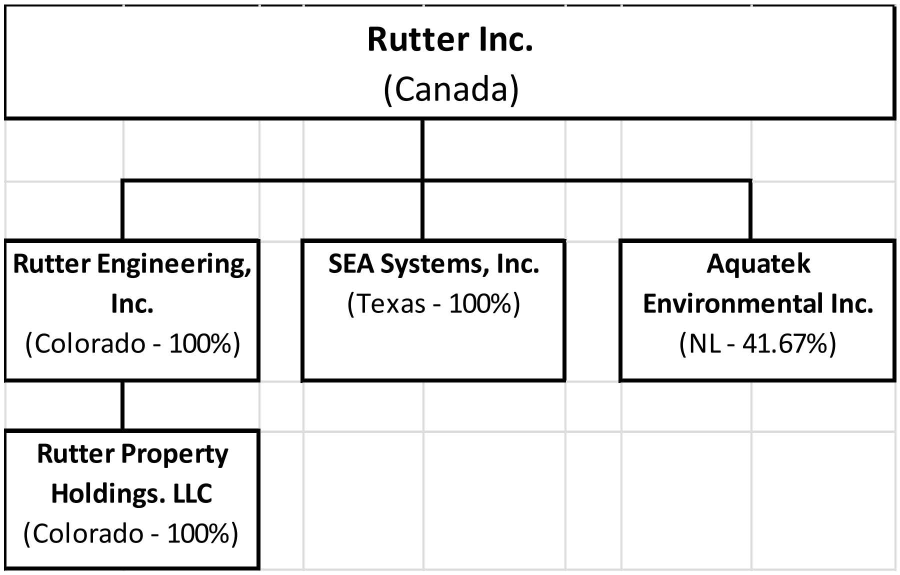
2.2 Intercorporate Relationships

In 2007, following consolidations completed in 2005, additional changes were made as a result of acquisitions and divestitures. Most notably, in June 2007 Rutter acquired Hinz Automation Inc. **("HAI")** and amalgamated that company with Rutter Engineering and Automation Inc. **("REA")** to form Rutter Hinz Inc. **("RHI")**. Also, the Company divested its 28% interest in DORIS Engineering SA **("DORIS")** in July 2007. In July 2008, Rutter divested its 74% interest in Unicontrol International Ltda., its Brazilian subsidiary owned by Rutter Hinz Inc. In March 2009 Rutter divested its controls and automation assets in RHI and renamed that company Rutter Engineering Inc. **("REI")**.

On September 1, 2009 Rutter's wholly owned subsidiaries Rutter Technologies Inc. incorporated in Newfoundland and Labrador and Rutter Engineering Inc. incorporated federally under the CBCA were amalgamated with Rutter. Rutter also holds a 41.67% interest in Aquatek Environmental Inc. **("Aquatek")**, a joint venture in Newfoundland and Labrador, Rutter Engineering, Inc. (100%) incorporated in Colorado in the United States, and on November 25, 2010 divested of its 49% interest in AFN Engineering Inc., a Newfoundland and Labrador based environmental engineering firm federally incorporated under the CBCA.

Figure 1 shows the structure of the Company as of August 31, 2011.

Figure 1 Rutter – Corporate Structure



3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

The Company disposed of the Controls & Automation portion of its Engineering business in March 2009 and renamed the remaining Newfoundland based consulting engineering business, Rutter Engineering Inc. In September 2009, the Company amalgamated its wholly owned subsidiaries Rutter Engineering Inc. (formerly RHI) and RTI into Rutter Inc.

Through a series of transactions, the Company disposed of its Consulting Engineering business between November 2010 and June 2011 and disposed of its VDR business May 2011.

Today, Rutter is a global enterprise producing and globally marketing enhanced radar systems, including oil spill detection, ice navigator and small target detection systems. The Company also offers a full range of outsource manufacturing services including: product engineering and design, materials management, manufacturing, sub-assembly, systems integration, engineering, project management, testing, logistics and documentation and provides full cycle customer support for all Company products and selected third party components/products that it manufactures under contract.

The following is a chronological summary of key developments over the last three years that have progressed Rutter to its current circumstances.

Change in the Senior Management of Rutter Technologies

On Sept. 30, 2008, Rutter announced a change in the leadership of RTI. Mr. Fraser Edison, Executive Vice-President of Rutter was appointed to the position of President of RTI on an interim basis, replacing Mr. Paul Griffin.

Rutter Secures Multi-Million Contract for U.S. Stryker Retrofit Program

On November 6, 2008, Rutter announced that RTI had been awarded a $14.6 million contract for a new power distribution assembly for the U. S. Army's Stryker vehicle. The contract was awarded by General Dynamics Land Systems - Canada and is an integral component of a fleet-wide retrofit program for the vehicle.

Delay in Release of Audited Year End Financial Statements

On November 24, 2008, Rutter announced that its audited financial statements, MDA and Annual Information Filing for the year ended August 31, 2008 would not be released as scheduled on November 28, 2008. The statements, MD&A and AIF were subsequently released on January 12 and 13, 2009.

Sale of Controls and Automation Business to Rockwell Automation

On February 10, 2009 Rutter announced that it entered into an agreement for the sale of its controls and automation business to Rockwell Automation Inc. The transaction involved the sale of most of the assets of RTI and its U.S. affiliate Rutter Hinz Inc. to the Rockwell Group for $22 million, subject to a final working capital adjustment and Rockwell assuming the ongoing contacts and liabilities of the controls and automation business.

The assets and employees of the consulting engineering offices in St. John's and Clarenville, Newfoundland and Labrador, were not part of the sale and continued to operate Rutter Engineering Inc., a division of Rutter.

Restructuring of Debt and Closing of Sale of Controls and Automation Division

On March 31, 2009 Rutter announced that it closed the sale of its controls and automation business to the Rockwell Automation and in conjunction with the sale, also completed the restructuring of its term loans and reduced the principal amounts outstanding on the term loans to $21,400,000 from $42,300,000. Outstanding subsequent to the close is a term loan of $8,000,000 at 10%, maturing August 2010. A second term loan of $13,400,000 at 12%, maturing December 2012 includes repayments of $1,500,000 at August 31, 2009 and $1,900,000 at November 30, 2009 which further reduced the second term loan balance to $10,000,000. The amending agreement also provided for additional payments to the lender, providing that the Company has achieved certain current ratio targets, as well as monthly payments of $100,000 commencing March 2010. Previous defaults under the lending agreement had also been waived and new convenants established. As well, 4,000,000 warrants issued at $0.65 in June 2007 cancelled. Under the new agreement the interest penalty charged if Rutter is in default of its ratio convenants or payment obligations was increased from 2% to 4%.

New President and Chief Executive Officer

On April 8, 2009 Rutter confirmed the appointment of Mr. Fraser H. Edison as President and Chief Executive Officer of the Company following the resignation of Mr. Ryan Hinz upon the completion of the sale of the controls and automation assets. Mr. Hinz remains a director of Rutter.

Rutter Delivers Radar Based Oil Spill Detection System in Italy

On October 15, 2009 Rutter announced that its Technologies business unit delivered two state of the art Radar Based Oil Spill Detection Systems to Castalia Ecolmar S.C.p.A, an Italian enterprise dealing with marine environmental protection. These systems were installed in Italy on separate vessels, and will be deployed by Castalia in fulfilling their long term contract with the Italian Environment Ministry.

Rutter Awarded Standing Offer for Heavy Civil Engineering

On October 26, 2009 Rutter announced that its Engineering business unit had been awarded a three year standing offer agreement by Public Works and Government Services Canada **("PWGSC")** for engineering services for heavy civil engineering projects which may be awarded under the standing offer is estimated at $1,500,000 over the three years.

Individual projects to be awarded under this standing offer agreement will predominately be for roadwork, bridges and other heavy civil projects but will not generally include marine related projects. Rutter has an additional existing standing offer agreement in place with PWGSC for engineering services for wharves, breakwaters and other marine infrastructure projects with a total value of $750,000 over two years.

Rutter Makes Early Repayment on Term Loan

On November 4, 2009, made pre payments on October 1, 2009 and November 3, 2009 totalling $1,900,000 on one of its existing term loans. Under the terms of that loan, the payment was due November 30, 2009, but could be made earlier with no penalty to the Company.

Grant of Stock Options

On January 25, 2010, Rutter announced a total of 1,850,000 options had been awarded entitling the holder to purchase one common share of the Company at $0.14 for a period of five years. Of the options, 600,000 were granted to directors and were fully vested immediately. 1,250,000 options were granted to the President and CEO with vesting tied to achievement of specific performance criteria established by the Board.

Rutter Awarded Contracts for Stryker Vehicles

On January 28, 2010, Rutter announced it had been awarded contracts valued at $4,750,000 USD to supply assemblies to General Dynamics Land Systems-Canada for use in Stryker

8x8 vehicles sold to the U.S. Army. Rutter was also awarded contracts valued at a total of $1,250,000 USD for spare parts and related components bringing total awarded to $6,000,000 USD.

Rutter Closes Sale of Building

On June 14, 2010, Rutter announced the sale of an office building for proceeds of $1,800,000. Net proceeds from the sale, after the payment of the outstanding mortgage and fees, of $1,135,600 were used to reduce the Company's long-term debt. The company entered into a seven year leaseback for the property.

Rutter Provides Update re Loan Repayment

On September 1, 2010, Rutter announced it had not met the requirement to repay its term loan with an outstanding balance of $6,314,000 on August 31, 2010 and indicated the Company and lender were renegotiating the terms of the loan.

Rutter Announces $US 2.2 million contract award

On September 16, 2010, Rutter announced it had received orders from a major prime defense contractor in the aggregate amount of $US 2.2 million. With this award, Rutter had sales orders in hand valued in excess of $15.5 million dollars due for delivery in the 2011 fiscal year.

Rutter's Sigma S6 Oil Spill Response Radar Certified Compliant with the NOFO standard

On September 28, 2010, Rutter announced it had received official notification from the Norwegian Clean Seas Association **("NOFO")** confirming that its Sigma S6 Oil Spill Response Radar is compliant with the NOFO standard. The NOFO Standard applies to the design of and the equipment carriage requirements for oil spill response vessels operating on the Norwegian Continental shelf and is internationally recognized.

Rutter Announces $US 1.4 million Contract Award

On September 29, 2010, Rutter confirmed an additional contract award of US$ 1.4 million from a major prime defense contractor, bringing total commitment to over $17 million in booked and committed sales orders due fro delivery in fiscal 2011.

Loan Payment of $600,000 against Term Loan

On October 4, 2010, Rutter announced it had made a $600,000 payment against its term loan which had matured August 31, 2010, bringing the outstanding loan balance to $5,714,000.

The Company had debt of $6,314,000 maturing August 31, 2010 that the Company had planned to refinance. Subsequent to the maturity date, the Company renegotiated the repayment terms providing for two payments of $1,000,000 each during fiscal 2011 and maturity of the balance at August 31, 2011.

Rutter Partners on $2.0 million order for Integrated Oil Spill Solution Technology

On October 13, 2010, Rutter and its Norwegian partner, Aptomar AS, announced orders for six Integrated Oil Spill Response and Management Systems. Three systems were purchased by Edison Chouest Offshore LLC to be deployed on three vessels operating in Brazil I support of Petrobras, the Brazilian oil company. A fourth system was ordered by Rederi AB Transtlantic to be deployed off Norway on a vessel in support of Statoil operations. In addition to these orders, the Rutter/Aptomar integrated system were also leased to the Danish shipping company, Esvagt, for two vessel supporting Statoil operations off the coast of Egypt.

Rutter Announces Restructuring of Term Loans

On November 25, 2010, the Company announced that it had concluded an agreement with its senior lender to restructure its term loans.

The agreement waived the Company's August 31, 2010 payment default, established new financial covenants and new payment terms for the loan, including $1,000,000 paid at closing, $1,000,000 due April 1, 2011 and the remaining balance of $3,714,000 maturing August 31, 2011. As consideration, the Company agreed to pay a one-time fee at signing of $150,000 and to increase the interest rate on the Term Loan maturing December 2012 by 2%.

The Company also concluded a transaction to liquidate its 49% interest in AFN Engineering Inc., by means of a share redemption for consideration of $400,000.

Rutter secures US$ 1.3 million order for Oil Spill Detection Systems

On February 10, 2011, Rutter announced a US$ 1.3 million order for its Oil Spill Detection and Management Systems for deployment in the U.S. offshore oil industry.

Rutter Announces Intention to Sell its Consulting Engineering Business

On February 24, 2011, the Company announced its intention to dispose of its remaining consulting engineering operations, based in Clarenville, Newfoundland and Labrador, and that it had reached a tentative agreement with a buyer, subject to certain conditions including the buyer obtaining financing to complete the transaction.

Rutter Secures Million Dollar Order for Oil Spill Response Radar

On March 24, 2011, Rutter announced an order for its Oil Spill Response Radar with a total value of just under USD$ 1 million.

Rutter Announces Agreement in Principle to Sell its VDR Business

On May 5, 2011, the Company announced it had reached a non-binding agreement in principle to sell its VDR business to Netwave Systems B.V. with the sale subject to negotiation of a mutually acceptable asset purchase agreement and certain lender and regulatory approvals.

Rutter Closes Sale of VDR Business

On May 30, 2011, Rutter announced it had concluded necessary agreements and closed the sale of its VDR business to NetWave Systems B.V. Cash proceeds of $2,448,000 were applied against outstanding Term A debt.

Rutter Closes Sale of Consulting Engineering Business

On June 3, 2011, the Company announced it had closed the sale of its Consulting Engineering business to Meridian Engineering Inc. The cash proceeds of $800,000 were applied against outstanding Term A debt.

July 19, 2011 Rutter Announces Final Repayment on Term A Loan

On July 19, 2011, Rutter announced it had made its final repayment of $466,000 against its Term A loan, the maturity of which was extended during the first quarter from August 31, 2010 to August 31, 2011.

4. DESCRIPTION OF THE BUSINESS

4.1 General Overview

The Company produces and globally markets a growing suite of technologies developed by Rutter. This segment also leverages its ISO 9001: 2008 manufacturing facilities in St. John's, NL to offer outsource electronics manufacturing and subassembly and full cycle product support to military and telecommunications customers.

4.2 Revenues

The Company derives its revenue from the manufacture, sale and support of marine technology and electronics products.

Revenues for the most recent two years ended August 31, 2011 are shown in the following table.

	Table 1 Revenues (in thousands of dollars)	
Year	**Third party manufacturing**	**Company owned products**
2010	$26,662	$2,702
2011	$25,863	$6,597

In addition the Company generated other revenues of $517,000 in the most recent fiscal year.

4.3 Business Summary

4.3.1 Products

Rutter Technologies **("RT")** delivers products to clients in the marine, defence and security/surveillance sectors worldwide. These high value-added products incorporate a proprietary mix of electronic hardware and software engineered to integrate with existing systems. Increasingly, the core engineering knowledge and proprietary hardware and software developed to create these products are being directed into higher margin markets where clients are seeking custom integrated and monitoring solutions. Its range of innovative products includes:

Sigma S6 Radar Processor

Multi-layered processing removes the clutter that limits the clarity of conventional radar images by enhancing the outline of what needs to be seen. Images are significantly crisper providing greater differentiation between objects and providing a superior visual context;

- Smaller objects can be pinpointed at farther distances
- Multiple objects travelling at differing speeds can be tracked simultaneously

These attributes enhance the speed and precision of decision making when using radar for security, ice navigation, ramp or vessel traffic management and a host of other applications.

Sigma S6 Ice Navigator

The Sigma S6 Ice Navigator provides unsurpassed imaging of sea ice conditions in the vicinity of a vessel, greatly enhancing the ability to navigate efficiently and safely 24-hours-a-day irrespective of weather conditions. Sufficient detail is displayed to allow for optimized routing, enabling the ship to maneuver around difficult areas, saving both time and fuel while minimizing the potential for ice damage.

Sigma S6 Oil Spill Response and Management System

Reliable detection from both moving vessels and stationary platforms; Automatic archiving of ESRI shapefile data; AIS target and chart overlay capability available; Horizontally and vertically polarized antennas available; and Detection of the oil early for improved response and containment.

Sigma S6 Surveillance Detection and Tracking

Proven Sigma radar detection and tracking technology; Tailor-made solutions for ships and offshore platforms; Multiple site remote monitoring and control capability; Integrates task-related multi-sensor information; Full compliance with port facility ISPS codes

Sigma S6 Radar Recorder

Rutter's family of certified interfaces are flexible, affordable, reliable and compatible. Connecting to the most challenging legacy systems is made easy with these unique, go anywhere compact units.

Radar 100S6

Rutter's Radar-100S6 provides superior radar imagery and precision target detection, improving situational analysis and decision making. As the practical solution to specialty radar applications, the Radar-100S6 has a unique mix of processing capabilities layered together to provide superior imagery, noise and clutter reduction and target tracking.

Sales, Distribution and Product Support

The principal markets for Rutter's products are worldwide. Rutter sells its product both directly and through a global network of distributors and agents.

These distributors and agents are supported by Rutter's international sales leadership team and a product and customer support group located at the manufacturing facility in Canada. Rutter also conducts training courses for service technicians employed by our distributors, agents and/or fleet owners/operators, both at this facility and at various locations around the world.

Arrangements with dealers and distributors vary considerably and are based on each dealer's strength in that market. These can range from situations where a distributor buys a radar system and is responsible for installations, to situations where Rutter is responsible for installation arrangements.

Competitive Drivers and Differentiators

Radar: Several trends are creating new opportunities where Rutter's advanced radar processing capabilities are uniquely positioned to provide significant business value and/or meet regulatory requirements. These trends include increased security standards, resurgence of piracy, Arctic oil and gas development, and heightened environmental protection sensitivity worldwide. The 2010 oil spill in the Gulf of Mexico clearly heightened public and industry awareness of oil spills and their potential environmental impact. This will accelerate the global requirement for technology to assist in clean-up operations and it is reasonable to expect increased attention to how the industry is regulated. As the oil spill travels from its source, it begins to break up and disperse making oil spill detection technology such as Rutter's a potential key first step in the longer term clean-up effort of any oil spill.

The Company's Ice Navigator, Surveillance and Small Target Detection, and Oil Spill Detection products are aimed at specific niche radar applications as opposed to the general radar market. The Ice Navigation and Oil Spill Detection markets have a small number of competitors and within these markets, Rutter's products are regarded as leaders with superior processing capability. The Surveillance and Small Target Detection market consists of a significant number of competitors offering coastal surveillance and port security solutions. Again Rutter's processing capability contributes to its place within this market sector.

Research & Development Initiatives

Ongoing Research and Development ("R&D") – Rutter avails of its research and development staff to continuously upgrade and improve its existing technologies and to develop new products. Rutter is moving forward with research and development on a number of fronts, including various radar-related solutions.

4.3.2 Manufacturing Services

Rutter offers a full suite of design, manufacturing and integration services to support customers looking to outsource their electronics manufacturing and/or sub-assembly. Registered to ISO 9001: 2008, our approximately 30,000 sq. ft. facility employs modern manufacturing practices and processes to take concepts from the design stage to prototype and full turnkey production.

Engineering & Design – Our multi-disciplined teams work collaboratively with clients through each stage of the outsourcing process to ensure our end products match seamlessly with their existing products and systems. Services include:

- printed circuit board design;
- industrial design;
- software development;
- 2D & 3D virtual modeling;
- programmable device design;
- software and firmware development; and
- system specification and integration.

Electromechanical Assembly – Leveraging the skill sets of cross-trained employees, Rutter is able to deliver integrated assemblies, modular electronic subsystems, control panels, electrical power management assemblies as well as full box builds and integrated multi-function systems.

Systems Integration – Rutter has broad resident experience in the design, integration and installation of network systems for the telecommunications industry.

Post Manufacturing Services – Rutter supports its customers long after the delivery of product. Post-manufacturing services include repair, field upgrade kits, and replacement system supplies.

Target Markets & Sectors

For manufacturing services, Rutter focuses on clients operating in sectors in which precision and adherence to high standards are pre-requisites. We strive to build strong long-term strategic partnerships with customers who require value and support across the entire supply chain. Target markets/customers for our manufacturing services include:

- *larger defence contractors* seeking cost savings and/or increased flexibility by outsourcing to a reliable, certified entity;
- *mid-sized commercial enterprises* that may have completed a technology design and acquired markets, but does not have the capacity to manufacture their products; and
- *larger technology manufacturers and integrators* that for reasons of flexibility and cost sensitivity look to contract to smaller manufacturers.

From a sector perspective, Rutter offers manufacturing services to customers in the military and custom commercial sectors. Rutter is a preferred supplier of electronic and electro-mechanical assemblies to larger military contractors, primarily in the business of military transportation and light armoured vehicle supply. Militarized products range from simple wiring harnesses to multi-layered mixed technology circuit boards to complete control panels and power distribution assemblies.

4.3.3 Sources and Availability of Inputs

Rutter has a strong electrical engineering foundation and in the past has shifted from supplier-provided components to its own designs for reasons of quality and/or cost. Where it makes good business sense, the Company will acquire a patent or company as a means of eliminating licensing fees on strategic components.

While Rutter always attempts to purchase components at reasonable prices, the fact that it uses its own proprietary software and has the ability to design and manufacture many of its own components, reduces considerably the potential for spikes in manufacturing costs.

As a manufacturer of products for third parties Rutter builds to the specifications provided by its customers in the telecommunications, defence and aerospace sectors. While these standards tend to be rigid and exacting, competition is healthy with little need to be dependent on any single approved supplier. Rutter anticipates few situations where a spike in input costs might challenge its competitiveness. Moreover, Rutter is able to leverage its purchasing power and supply chain knowledge to the advantage of its own products.

4.3.4 Seasonality, Cycles and Key Contracts

Company owned products' revenues are generally weighted more heavily to the final two quarters of the Company's fiscal year. Oil company and government customers generally have calendar year ends and sales levels with these two customer groups decline in the latter half of the fiscal year. In addition, Ice Navigator radar sales tend to coincide with the opening of access to Arctic waters in late spring and summer season.

Manufacturing revenues do not reflect any clear seasonal trends but activity levels will fluctuate based upon military spending.

5. RISK FACTORS

The Company and its business are subject to a number of risks and uncertainties. The primary risks and uncertainties are described below.

Customer / Market Risk

The Company derives a significant amount of its revenue from a limited number of large, long term contracts. In fiscal 2011, one customer accounted for 74% of the Company's total revenue. The loss of contracts from this customer could have a significant impact on the Company's financial condition and results of operations. The Company is constantly evaluating existing markets and exploring new opportunities with a view to growth while at the same time, reducing customer and market concentration risk.

There can be no assurance that Rutter will not face significant competition from companies which may be significantly larger and have substantially greater financial and marketing resources. Increased competition could result in price reductions and loss of market share, which would adversely affect Rutter's revenues and profitability.

Ability to Meet Technological Changes

Rutter's future success depends on its ability to improve and gain market access for its products, as well as on its ability to introduce products to the market that meet the ever-changing needs of customers and the technological requirements of its strategic partners. Any failure by Rutter to foresee technological growth and new demands by customers and strategic partners, or to react in light thereof, may have a material adverse effect on Rutter's activities, its financial position and its operating results.

Furthermore, the markets targeted by Rutter's products are evolving and are distinguished by new competitive standards. There is no guarantee that the products intended for sale by Rutter for these markets will adequately meet the requirements dictated by the new standards or that Rutter will be able to adapt its products to technological changes. Consequently, Rutter may invest in some products and technologies that will never receive market acceptance. These investments may have a material adverse effect on Rutter's activities, its financial position or its operating results.

Credit Risk

Credit risk arises from the potential of either a customer or counterparty failing to meet its contractual obligations. Concentration of credit risk may arise from exposure to a single debtor or to a group of debtors, having similar characteristics, such as their ability to meet their obligations, or their expectation to be affected similarly by changes in economic or other conditions. The Company utilizes credit evaluation, approval and monitoring processes intended to mitigate potential credit risks with respect to trade receivables.

The Company's maximum exposure to credit risk, with respect to accounts receivable and unbilled contract revenue from customers, corresponds to the carrying value. One customer accounts for 40% of the Company's total accounts receivable and unbilled contract revenue at August 31, 2011 (August 31, 2010 –81% - one customers). As well, accounts receivable collections in the Marine industry are subject to higher risk due to the longer turnover times.

Billing terms vary depending on the nature of the project as well as specific terms agreed upon with individual customers. The allowance for doubtful accounts is reviewed at each balance sheet date and adjusted as necessary based on a review of the recoverability of past due accounts receivable balances. The allowance for doubtful accounts receivable at August 31, 2011 was $259,000 (August 31, 2010 - $16,000). At August 31, 2011, the Company had trade receivables that were past due but not impaired of $827,000 (2010 - $901,000) of which $518,000 (2010 - $300,000) were more than 60 days past due.

Foreign Currency Risk

The Company prepares its consolidated financial statements in Canadian dollars and its financial results are therefore impacted by fluctuations in foreign exchange rates, primarily the U.S. dollar and the Euro.

Because there is partial natural hedging in the Company's foreign denominated revenues and expenses, the Company has not entered into formal hedging arrangements.

For the year ended August 31, 2011 approximately 66% (2010 – 76%) of the Company's revenues and 50% (2009 –54%) of the Company's expenses were denominated in foreign currencies.

Scalability/Staff Retention risks

The need to appropriately staff the Company both in times of revenue growth and decline may result in an additional burden on Rutter's management and operating resources as the Company either expands or contracts. There is no guarantee that Rutter will be able to attract and keep the required personnel to accomplish its objectives or that it will be able to promptly satisfy customers' needs. Rutter's business and operating results could be materially and unfavourably affected if it is not able to manage these changes efficiently.

Intellectual Property

The Company holds no registered patents on its products and business processes, with the exception of its personal safety lights. However, its products generally consist of a complex integration of proprietary hardware and software that make them well protected as trade secrets. The Company routinely makes use of non-disclosure and confidentiality clauses with third parties and ensures that all employees are aware of and sign agreements which protect the Company's proprietary information and trade secrets. Internal policies also address ethical guidelines, to which employees and sub-contractors are expected to adhere.

There is no guarantee that these measures will protect Rutter against infringement of its intellectual property or that Rutter will be able to prevent the fraudulent use of its intellectual property. In addition, the laws of certain foreign countries do not protect Rutter's rights to the same extent as the laws of Canada.

Risks Associated with Foreign Operations

The Company is exposed to the following risks associated with its international activity: (i) complying with laws in multiple jurisdictions; (ii) unforeseen tariffs and/or embargoes on foreign imports; (iii) changes in regulatory requirements for specific products; (iv) complexities of dealing with foreign business cultures; (v) international variances with respect to staff training and education; (vi) unforeseen changes in labour mobility and foreign content requirements; (vii) general economic and geopolitical factors ranging from terrorism to changes in trade relations to inflation; and (viii) fluctuations in the Canadian Dollar exchange rate. Any of these elements of risk could significantly impact the Company's financial condition and results of operations.

Interest Rate Risk

The Company's long-term debt is issued at fixed interest rates, thereby minimizing cash flow and interest rate fluctuation exposure.

Acquisition Risks

A component of management's strategy is to identify, acquire and integrate acquisition targets that are a good fit with the Company's overall growth goals. The importance of identifying appropriate acquisition targets continues to be communicated to operational management, who are often in the best position to identify industry partners or competitors who are particularly well suited as a potential target for the Company.

While acquisitions vary in size and complexity, many can require significant time and professional costs to complete. The Company continues to evaluate the best use of its resources, both internal and external, to facilitate and constantly reassess the timing of its acquisition growth strategy.

Environmental Protection Risks

Rutter's operations comply with applicable environmental protection laws. There is nothing inherent in any of Rutter's business processes that expose the Company to extraordinary environmental risks.

While Rutter products and services do assist our clients in reducing risks, including environmental risk, at this point Rutter neither supplies nor has reason to certify equipment or processes that customers would normally depend upon or have recourse to the Company, in the event of a failure to be compliant with environmental laws.

The exception to this is the Aquatek Environmental Inc. Joint Venture of which Rutter is a 41% partner. This enterprise, which is not currently active, produces oil water separators that are certified as meeting Transport Canada and IMO standards with respect to cleaning oily water.

6. CAPITAL STRUCTURE & SECURITIES

6.1 Capital Issued

The Company's authorized capital consists of an unlimited number of common shares without par value. As of November 29, 2011, the Company had 76,676,578 common shares issued and outstanding. All the issued common shares are fully paid and are not subject to any future call or assessment. The common shares rank equally as to voting rights, participation and the distribution of the Company's assets on liquidation, dissolution or winding-up and the entitlement to dividends. Holders of common shares are entitled to receive notice of, attend and vote at all meetings of shareholders of the Company. Each common share carries one vote at such meetings. Holders of common shares are entitled to dividends if and when declared by the Directors.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business and/or retire debt.

6.2 Transfer Agent

The Company's registrar and transfer agent is Computershare Investor Services Inc. They can be contacted at the following address:
1500 University Street, Suite 700
Montreal, QC
H3A 3S8

6.3 Market for Securities

Table 2 below depicts trading price and volume for the Company's common shares on the Toronto Stock Exchange for the 12 months ended August, 2010.

TABLE 2

RUTTER INC.
TSX SHARE PRICE INFORMATION
SEPTEMBER 1, 2010 – AUGUST 31, 2011

Month	Common Shares		
	High ($)	Low ($)	Volume
September	0.09	0.065	954,000
October	0.085	0.055	478,913
November	0.085	0.05	1,227,578
December	0.055	0.04	3,206,328
January	0.09	0.045	6,991,685
February	0.075	0.05	3,826,886
March	0.05	0.035	2,397,244
April	0.08	0.045	6,790,458
May	0.08	0.045	4,270,403
June	0.065	0.05	540,495
July	0.075	0.05	699,400
August	0.06	0.045	183,553

7. DIRECTORS AND OFFICERS

7.1 Name, Address, Occupation and Security Holdings

The Directors of the Company are elected to serve until the following annual meeting or until their successors are elected or appointed. The names and provinces of residence of the Directors and executive officers of the Company, and positions held by them in the Company, and their respective principal occupations are listed on the Table below.

TABLE 3

Name, Position and Province of Residence	Principal Occupation
David Beutel(1) Director since 2006 and Chairman since 2008 Ontario, Canada	President, Belweather Capital Partners Inc.
Mark Armitage, CA, ICD.D(1) Director since 2004 Quebec, Canada	Financial Consultant
Donald I. Clarke(1)(2) Director since 2002 Quebec, Canada	President, Gunite Investments Inc., a management consulting company
Ryan Hinz(2) Director since 2007 Saskatchewan, Canada	President, RYSA Management Inc., a management consulting company
Gary Bruce(2) Director since January 2010 Former director from 2003 to 2005 New Brunswick, Canada	Business consultant
Fraser H. Edison President and Chief Executive Officer since April 2009 Director since 2002 Newfoundland & Labrador, Canada	President and Chief Executive Officer of the Company
Karen M. Snook Chief Financial Officer since 2006 Corporate Secretary since 2010 Newfoundland & Labrador, Canada	Chief Financial Officer and Corporate Secretary of the Company.

(1) Member of the Audit Committee
(2) Member of the Governance & Human Resources Committee

For the past five years the principal occupation of the Directors and executive officers of the Company have been listed above with the exceptions of:

i) David Beutel was Vice President of Oakwest Corporation Limited
ii) Donald Clarke was Chairman and CEO of Rutter until May 2008
iii) Ryan Hinz was President and CEO of Rutter and President and CEO of RHI and HAI until March 2009 and
iv) Fraser Edison was Executive Vice President of Rutter until March 2009.

As at August 31, 2011, the directors and officers of Rutter as a group beneficially owned, directly or indirectly, or exercised control or direction over 17,613,014 common shares, representing 22.3% of the issued and outstanding common shares of Rutter. In addition the directors and officers had options to purchase an additional 1,133,000 shares. The common shares are the only voting securities of the Corporation.

7.2 Cease Trade Orders

On January 12, 2005, Rutter announced that the Company would not meet the target date for the release of its annual financial statements for fiscal 2004 and its interim financial statements for the first quarter of fiscal 2005 due to unanticipated delays in the approval of significant change orders on a material contract. At that time, Rutter requested that certain of the provincial securities commissions impose a management cease trade order to stay in effect until such time as the financial statements were released. The management cease trade order was granted such that certain persons including all the Directors and Executive Officers of Rutter in Table 3 above (other than Messrs. Beutel and Hinz who were not Directors of the Company at such time) were subject to the management cease trade order. As required by the order, Rutter provided bi-weekly updates on the Company's progress in completing its financial statements. On March 18, 2005, the Company was able to release its audited and Q1 interim financial statements and the management cease trade order was subsequently lifted.

On November 29, 2005, Rutter announced that it would not meet the target release date for its audited financial statements for the year ending August 31, 2005. The reason for the delay was that the increased disclosure requirements necessitated extensive changes to the presentation of the statements and the time required to make the changes had been underestimated. All Directors and Executive officers of Rutter (except Messrs. Beutel, and Hinz who were not Directors at the time) were subject to a management cease trade order which the Company had voluntarily requested be imposed. The statements were subsequently filed on December 12, 2005 and the management cease trade order was subsequently lifted.

On November 24, 2008, Rutter announced that it would not meet the target release date for its audited financial statements for the year ending August 31, 2008. The reason for the delay was that negotiations with its principal lender regarding a material loan payment due on November 30, 2008 had not been concluded. The President and CEO, who was also a director, and the CFO of Rutter were subject to a management cease trade order which the Company had voluntarily requested be imposed. The cease trade order was not imposed on any other director or officer of the Company and filing of the statements were subsequently completed January 13th, 2009 and the management cease trade order was subsequently lifted.

8. LEGAL PROCEEDINGS

During the year, the Company was subject to a legal action, in which Rutter was one of co-defendants resulting from a fire and explosion which occurred at the Louisiana Pacific OSB plant on May 7, 2008. The action was initiated in Clark Country, Alabama by four employees who were injured in the fire at the plant. Damages sought under the claim were US$13.65 million. The claim was settled during the year and all outlays relating to the claim, excluding a $100,000 deductible paid in a prior year were covered by the Company's insurance policy.

There are no material legal proceedings ongoing at this time, nor is the Company aware that there are any contemplated.

9. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The only material transaction over the last three years involving the interest of management and/or Directors of the Company relating to:

Donald I. Clarke, a Director of the Company, currently holds 10,513,548 or 13.7% of the common shares of the Company.

No other Director or senior officer of the Company, no person who is a proposed nominee for election as a director of the Company, no person or company who owns of record or, to the knowledge of the Company, owns beneficially, directly or indirectly, more than 10% of any class of voting securities of the Company, and no associate or affiliate of any of the foregoing had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or in the current financial year which has materially affected or will materially affect the Company or any of its affiliates.

9.1 Interest of Experts

Deloitte & Touche LLP are the Company's auditors and have signed the auditor's report on Page 1 of the Consolidated Financial Statements. To the best of the Company's knowledge, the partners and associates of Deloitte & Touche LLP own less than 1% of the outstanding common shares of Rutter.

10. AUDIT COMMITTEE

10.1 Committee and Mandate

The Audit Committee currently comprise Donald Clarke (Chair), Mark Armitage, and David Beutel, all of whom are independent to the Company and all of whom are financially literate. The Audit Committee reviews the Company's annual financial statements and the financial content of the Company's Annual Report and recommends them for approval by the Board of Directors of the Company. It also reviews and approves the Company's interim financial statements and reports, and follows up on major findings of financial audits to ensure that the Company has an effective system of internal controls. The Committee has direct access to the Company's external auditors to discuss and review specific issues as appropriate. The Mandate and Charter of the Audit Committee is set forth in Schedule "A" attached hereto.

10.2 Committee Members

Donald Clarke, CA

Donald I. Clarke holds a Bachelor of Commerce Business Administration (1974) from Concordia University and a Certificate of Accountancy (1977) from McGill University. He is a member of the Ontario Institute of Chartered Accountants.

He began his career with Clarke Steamships (later Clarke Transport). At Clarke, he led the 1000-employee freight forwarding division, which he grew from $25 to $65 million in revenue. In 1983, Mr. Clarke and his business partners formed the ConPro Group, where he acted as Chief Financial Officer. He was a key player on the team that formed the strategic partnership known as Newfoundland Offshore Development Corporation Ltd. (NODECO). This company was the successful constructor of the $2.0 billion concrete gravity based production structure for the $5.3 billion Hibernia platform and oilfield development. Following Hibernia, the ConPro Group became part of a second large joint venture in the Atlantic offshore oil and gas sector, this time to construct the Terra Nova Floating Production and Offloading System (FPSO) for Petro-Canada. More recently, Mr. Clarke also played a key role in taking Rutter Inc public in 2002 and served as Chairman of the Board and CEO until May 2008.

Mark Armitage, CA, ICD.D

Mark Armitage is a Chartered Accountant and a member of the Order of Chartered Accountants. He is also a seasoned financial consultant with extensive experience in public company reporting. Mr. Armitage worked in the assurance practice of KPMG in both Montreal and Saint-Laurent for 34 years. A partner in the firm from 1982 until retiring in 2003, he occupied many internal positions in addition to client responsibilities. These included: Partner in charge of the Montreal office's Private Business Advisory Services division; Partner responsible for Human Resources, Montreal office; Montreal Office Coordinator for Merger and Acquisition Services and Managing Partner of the KPMG, Saint-Laurent office. Mr. Armitage has also served as a member on many KPMG national committees and boards including: Private Business Advisory Services (national); Human Resources Committee (national); Practice Integration Committees, as well as serving as National Partnership Board Vice-Chairman. Mr. Armitage is an Institute of Corporate Directors – Certified Director.

David Beutel

David Beutel is President of Belweather Capital Partners Inc., a private investment company in Toronto. Prior to that he was Vice-President of Oakwest Corporation Limited, also a private investment company. For the past 16 years, Mr. Beutel has been working to build early-stage and high growth businesses as a founder, adviser and investor, in Canada and the United States.

At Belweather, Mr. Beutel focuses on providing value to both public and private businesses, primarily in the areas of strategic development and financing. Prior to his tenure at Oakwest and Belweather he was Vice-President, Grey Worldwide where he helped multinational corporations develop interactive businesses to better serve and market to their stakeholders. From 1996 through 1999, he headed up New Business and Content Development at Pelmorex Inc., owner and operator of The Weather Network/MétéoMédia. One of the companies he co-founded was ultimately sold to Kinkos, Inc. for its document creation and management capabilities.

Mr. Beutel is non-executive Chairman of Futura Loyalty Group Inc. and Arius 3D Inc.and is a director of several private companies. He holds a BA from the University of Pennsylvania and an MBA from the Schulich School of Business (York University).

10.3 Other Policies

The Audit Committee has a pre-approval policy, which is set forth in Schedule "B" attached hereto.

10.4 Fees Paid to External Auditor

Table 4 lists the total fees billed (excluding applicable today) by the external auditor, Deloitte & Touche LLP for the 2011 and 2010 fiscal years.

Table 4

External Audit Fees
Deloitte & Touche

Item	2011	2010
Audit fees including attendance at quarterly Audit Committee meetings.	$220,000	$445,000
Audit-related fees	14,000	25,000
All other fees – business advisory, general consulting and tax/SRED consulting services	75,000	10,000
TOTAL	**$309,000**	$480,000

11. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Management Information Circular dated January 13, 2011, in connection with the Company's Annual General of Shareholders held on February 24, 2011. Additional financial information, including comparative consolidated audited financial statements and MD&A, are provided in the Company's Annual Report to the shareholders for the financial year ended August 31, 2011. Additional information relating to Rutter may be found on SEDAR at www.sedar.com.

SCHEDULE "A"

RUTTER INC.

Audit Committee Mandate & Charter

1.0 MANDATE

The Board of Directors ("Board") bears responsibility for the stewardship of Rutter Inc. (the "Corporation"). To discharge that responsibility, the Board is obligated by the CBCA and the various regulatory agencies to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board monitoring of all significant aspects of the management of the Corporation's business and affairs.

2.0 FINANCIAL REPORTING OBJECTIVE

Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's financial reporting and disclosure (the "Financial Reporting Objective") is to gain reasonable assurance of the following:

a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
b) that the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;
c) that the Corporation's annual and interim financial statements are accurate and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles;
d) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner;
e) that the Corporation has procedures for the receipt and treatment of any complaints regarding accounting, internal controls or auditing matters; and
f) that the Corporation's "whistle blower" Policy is maintained and all employees are aware of the Policy.

3.0 FUNDAMENTAL ACTIVITIES

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the "Fundamental Activities") are conducted effectively:

a) the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;
b) the Corporation's internal financial controls are regularly assessed for effectiveness and efficiency;
c) the Corporation's annual financial statements are properly prepared by management;

d) the Corporation's annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and
e) the components of the Corporation's Disclosure Policy are complied with by management, employees and the Board.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure, the Board has established and hereby continues the existence of a committee of the Board known as the Audit Committee (the "Committee").

4.0 COMPOSITION OF COMMITTEE

a) The Committee shall be appointed annually by the Board and consist of at least three (3) members from among the directors of the Corporation, who shall be independent directors and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
b) The Board shall designate the Chairman of the Committee.

5.0 RELIANCE ON EXPERTS

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends creditability to a statement made by any such person.

6.0 LIMITATION ON COMMITTEE'S DUTIES

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstance. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Board.

7.0 AUDIT COMMITTEE CHARTER

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

1. Purpose;
2. Authority;
3. Operating Procedures;
4. Operating Principles; and
5. Specific Responsibilities and Duties.

7.1 Purpose

The Audit Committee's principal role is to gain reasonable assurance that an effective risk management and control framework has been implemented by management. This framework provides reasonable assurance that the Financial Reporting Objectives and Fundamental Activities of the Organization are achieved. The Audit Committee fulfills its role on behalf of the Board of Directors.

7.2 Authority

The Audit Committee has authority to conduct or authorize investigations into matters within its scope of responsibility. It is empowered to:

a) retain outside counsel, accountants, auditors or others to advise the Committee;
b) seek any information it requires from employees and external parties and meets as necessary; and
c) the Audit Committee is permitted to meet with any executive, the external auditors and/or regulators without management being included if the Committee so desires or at the request of any of these parties.

7.3 Operating Procedures

a) The Committee shall meet at least four times annually, or more frequent as circumstances dictate. Meetings shall be held at the call of the Chair, upon the request of two members of the Committee or at the request of the external auditors.
b) A quorum shall be the majority of the members.
c) Unless the Committee otherwise specifies, the Corporate Secretary shall act as Secretary of all meetings of the Committee.
d) In the absence of the Chair of the Committee, the members shall appoint an acting Chair.
e) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each Director of the Corporation in a timely fashion.

7.4 Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

7.4.1 Committee Values

The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Conduct and corporate policies: with laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.

7.4.2 Communications

The Chairman (and others on the Committee) expects to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors, the Internal Auditor and other key Committee advisors as applicable.

7.4.3 Financial Literacy

All Audit Committee Members should be sufficiently versed in financial matters to understand the Corporation's accounting practices and policies and the major judgments involved in preparing the financial statements.

7.4.4 Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter. In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

7.4.5 Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

7.4.6 Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

7.4.7 External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.

7.4.8 In Camera Meetings

At each meeting of the Committee, the members of the Committee may meet in private session with the external auditors, with management; and with the Committee members only.

7.4.9 Reporting to the Board

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

7.4.10 Committee Self Assessment

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

7.4.11 The External Auditors

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

7.5 Specific Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

7.5.1 Financial Reporting

a) review the Corporation's annual and interim financial statements, and MD&A with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board for public disclosure;
b) review the Corporation's controls and procedures for the disclosure of partial financial information extracted or derived from the annual or interim financial statements of the Corporation;
c) review, in conjunction with the Governance Committee, compliance with the Corporation's Disclosure Policy.

d) review with management and the external auditors the financial statements of the Corporation's significant subsidiaries and of the Corporation's Bonus plan;
e) receive from the external auditors reports on their review of the annual and interim financial statements;
f) receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
g) review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and interim financial statements; and
h) review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Corporation.

7.5.2 Accounting Policies

a) review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto and to;
b) obtain reasonable assurance that they are in compliance with GAAP, and report thereon to the Board; and
c) review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgments and reserves.

7.5.3 Risk and Uncertainty

a) acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:

   (i) reviewing with management the Corporation's tolerance for financial risks;
   (ii) reviewing with management its assessment of the significant risks facing the Corporation;
   (iii) reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant risks; and
   (iv) reviewing with management its plans, processes and programs to manage and control such risks.

b) ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
c) review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;

d) review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
e) review the adequacy of insurance coverages maintained by the Corporation; and
f) review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

8.0 FINANCIAL CONTROLS AND CONTROL DEVIATIONS

a) Review annually the need for an internal audit function.
b) In the absence of an internal auditor review and recommend to the Board alternative control mechanisms.
c) Review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective.
d) Receive regular reports from management, the external auditors and its legal department on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

9.0 COMPLIANCE WITH LAWS AND REGULATIONS

a) Review regular reports from management and others (e.g. internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:

   (i) tax and financial reporting laws and regulations,
   (ii) legal withholding requirements;
   (iii) environmental protection laws and regulations; and
   (iv) other laws and regulations which expose directors to liability.

b) Review the status of the Corporation's tax returns and those of its subsidiaries.

10.0 RELATIONSHIP WITH EXTERNAL AUDITORS

a) recommend to the Board the nomination of the external auditors;
b) approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
c) review the performance of the external auditors annually or more frequently as required;

d) receive annually from the external auditors an acknowledgment in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
e) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;
f) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;
g) meet regularly with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee; and
h) establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee.

11.0 INTERNAL AUDITOR (when in place)

a) review the Internal Auditor's terms of reference;
b) review the annual plan of the Internal Auditor;
c) review the reports of the Corporation's Internal Auditor with respect to control and financial risk, and any other matters appropriate to the Committee's duties. The Committee shall review the adequacy and appropriateness of management's response, including the implementation thereof;
d) review and approve the reporting relationship of the Internal Auditor to ensure that an appropriate segregation of duties is maintained and that the Internal Auditor has an obligation to report directly to the Committee on matters affecting the Committee's duties, irrespective of his or her other reporting relationships; and
e) review and report to the Board on the appointment, replacement, reassignment or dismissal of the Internal Auditor.

12.0 OTHER RESPONSIBILITIES

a) periodically review the form, content and level of detail of financial reports to the Board;
b) approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
c) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation’s accounting and financial personnel and other resources;
d) review in advance the appointment of the Corporation’s senior financial executives;
e) receives periodic reports regarding potential litigation and progress of cases;
f) establishes, reviews and updates periodically a Code of Conduct and review management effectiveness in enforcing code;
g) periodically performs a self assessment of the Audit Committee performance;
h) investigate any matters that, in the Committee’s discretion, fall within the Committee’s duties;
i) review reports from the Internal Auditor, the External Auditors, and/or other Committee Chairmen on their review of compliance with the Corporation’s Code of Conduct, and the Corporation’s policies on political donations and commissions paid to suppliers or others;
j) perform such other functions as may from time to time be assigned to the Committee by the Board;
k) review all issues raised under the Corporation’s Whistle Blowing Policy; and
l) review annually with management the effectiveness of the Corporation’s disclosure controls and procedures.

13.0 ACCOUNTABILITY

a) review and update this Charter on a regular basis for approval by the Board;
b) from time to time, as requested by the Board, disclose this Mandate and Charter in the Corporation’s statement of corporate governance practices; and
c) review the description of the Committee’s activities as set forth in the Corporation’s statement of corporate governance practices.

SCHEDULE “B”

Audit Committee – Pre-Approval Policy

RUTTER INC.

Audit Committee - Pre-Approval Policy

1.0 PURPOSE

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Rutter Inc. (the "Corporation") oversees accounting and financial reporting processes of the Corporation and related disclosure requirements, the implementation by management of the Corporation of an effective risk management and financial control framework and the external and internal audit processes of the Corporation. The Committee has determined that it is in the best interests of the Corporation to implement a policy regarding the engagement of the firm of accountants (the "Auditors") appointed by the shareholders of the Corporation consistent with the Committee's mandate with a view to ensuring the Auditors' independence. This Policy is called the "Pre-Approval Policy".

2.0 SCOPE

The Pre-Approval Policy applies to the Corporation and its wholly owned and controlled subsidiaries and to the following services:

a) **Audit Services:** all services performed by the Auditors in connection with the review of annual consolidated financial statements of the Corporation, including services performed to comply with Generally Accepted Auditing Standards.

b) **Audit Related Services:** all services performed by the Auditors from time to time in connection with: (i) the review of quarterly financial statements and Management Discussion and Analysis ("MD&A") in accordance with generally accepted standards for a review; (ii) equity due diligence required by underwriters, regulators and other parties in connection with raising capital for the Corporation; (iii) review of annual and quarterly financial statements of the Corporation's wholly-owned and controlled, offshore subsidiaries; (iv) internal control reviews; (v) translation of financial statements, MD&A and other documents into French or another language; and (vi) such other services as may be designated by the Committee from time to time as Audit Related Services.

c) **Non-Audit Related Services:** all services performed by the Auditors from time to time which are not Audit Services or Audit Related Services including, without limitation: (i) services in connection with tax planning, compliance and advice; and, (ii) such other services as may be designated by the Committee from time to time as Non Audit Related Services.

3.0 PROHIBITED SERVICES

The Auditors shall not provide any of the following services:

a) bookkeeping or other services related to the accounting records or financial statements of the Corporation;
b) financial information systems design and implementation;
c) appraisal or valuation services, fairness opinions, or contributions-in-kind reports;
d) actuarial services;
e) internal audit outsourcing services;
f) management functions or human resources;
g) broker or dealer, investment advisor, or investment banking services;
h) legal services; or
i) expert services unrelated to the audit.

Any other services that the Public Accounting Oversight Boards in Canada and the U.S. determine, by regulation, is impermissible.

4.0 ANNUAL PRE-APPROVAL OF AUDIT SERVICES

All Audit Services and such Audit Related Services as the Committee shall designate shall be pre-approved annually by the Committee prior to the engagement of the Auditors for such term, at such cost, and on such conditions as the Committee in its discretion may determine.

5.0 QUARTERLY APPROVAL OF AUDIT RELATED SERVICES

Such Audit Related Services not pre-approved by the Committee annually shall be pre-approved by the Committee quarterly prior to the engagement of the Auditors to perform such services for such term, at such cost, and on such conditions as the Committee in its discretion may determine.

6.0 PERIODIC APPROVAL OF NON AUDIT RELATED SERVICES AND CERTAIN AUDIT RELATED SERVICES

If at any time and from time to time the Chief Financial Officer of the Corporation believes that it is in the best interests of the Corporation to engage the Auditors to perform Non-Audit Related Services or Audit Related Services, which have not been pre-approved in accordance with this policy, he shall obtain from the Auditors an estimate of the cost of such engagement and provide the Chairman of the Committee with a written description of the proposed services, the estimated cost and his recommendation respecting such engagement. If the estimated cost of the proposed engagement is less than $20,000, the Chairman of the Audit Committee shall have the authority to approve it on such terms and conditions as he deems appropriate. If the estimated cost of the proposed engagement is greater than $20,000, the approval of the Committee is required, and such approval shall be granted on such terms and conditions as the Committee deems appropriate.

7.0 MONITORING AND ADMINISTRATION OF POLICY

The Chairman of the Committee shall be responsible for proper implementation of and compliance with this Policy and in doing so the Chairman may request advice from the Chief Financial Officer and General Counsel of the Corporation.

The Chief Financial Officer shall be responsible for ensuring that all Audit Services, Audit Related Services and Non-Audit Related Services being provided by the Auditors are in compliance with this policy, and that no Prohibited Services are being provided, and shall report to the Committee not less than quarterly with respect thereto. If at any time and from time to time the Chief Financial Officer of the Corporation becomes aware of a breach of this policy he shall immediately advise the Chairman of the Committee.