

**ANNUAL & SPECIAL MEETING OF SHAREHOLDERS
OF
TELEHOP COMMUNICATIONS INC.**

TO BE HELD ON JUNE 16, 2005

**NOTICE OF
ANNUAL & SPECIAL MEETING OF SHAREHOLDERS
AND MANAGEMENT INFORMATION CIRCULAR**

May 17, 2005

MANAGEMENT INFORMATION CIRCULAR

(as at April 27, 2005, except as otherwise indicated)

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MANAGEMENT INFORMATION CIRCULAR
AND GENERAL PROXY INFORMATION FOR THE
2005 ANNUAL & SPECIAL MEETING OF SHAREHOLDERS
TELEHOP COMMUNICATIONS INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by Management of Telehop Communications Inc. (the “Corporation”, “Company” or “Telehop”) for use at the Annual and Special Meeting of Shareholders (or any postponement or adjournment thereof) of the Corporation (the “Meeting”) to be held at 4:00 p.m. (Toronto time) on Thursday, June 16, 2005 at the Design Exchange, 234 Bay Street, Toronto, ON, M5K 1B2 for the purposes set forth in the accompanying Notice of Meeting. The solicitation will be primarily by mail, but proxies may also be solicited personally by telephone by regular employees of the Corporation for which no additional compensation will be paid. The cost of preparing, assembling and mailing this Circular, the Notice of Meeting, the Form of Proxy and any other material relating to the Meeting has been or will be borne by the Corporation. It is anticipated that this Circular and accompanying Form of Proxy will be distributed to shareholders on or about May 24, 2005. To be effective, proxies must be received before 4:00 p.m. (Toronto time) on June 15, 2005 by Equity Transfer Services Inc. (“Equity”), 420 – 120 Adelaide Street West, Toronto, Ontario, M5H 4C3 , or at least 24 hours (excluding Saturdays, Sundays and holidays) prior to any adjourned or postponed Meeting, or be presented to the Chairman of the Meeting prior to the commencement of the Meeting or any adjourned or postponed Meeting. Shareholders whose Common Shares are held by a nominee may receive either a voting instruction form or Form of Proxy and should follow the instructions provided by the nominee. Unless otherwise indicated, the information in this Circular is given as at May 17, 2005. All dollar references in this Circular are to Canadian dollars.

Revocability of Proxy

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or be deposited with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjourned or postponed Meeting, and upon receipt of either of such deposits the proxy is revoked. The address of the registered office of the Corporation is Suite 220, 200 Consumers Road, Toronto, ON, M2J 4R4

Voting and Discretion of Proxies

Common Shares represented by properly executed proxies in the enclosed form (if executed in favour of the Management nominees and deposited as provided in the Notice of Meeting) will be voted for or against, or voted for or withheld from voting, in accordance with the instructions of the shareholder on the proxy on any ballot that may be called for. If the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **In the absence of any instructions on the proxy, such Common Shares will be voted (i) for the election of Management's nominees as directors of the Corporation, all of whom are persons listed under the heading "Election of Directors"; (ii) for the re-appointment of Deloitte & Touche LLP, as auditors of the Corporation; and (iii) for approval of the adoption of the 2005 Stock Option Plan.** The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting or any other matters that may properly come before the Meeting. At the date hereof, Management knows of no such amendments, variations or other matters to come before the Meeting. If any such other matter, or if any amendments to or variations of the matters identified in the Notice of Meeting should properly come before the Meeting, proxies received pursuant to this solicitation will be voted on such amendments, variations and other matters in accordance with the best judgment of the person voting the proxy.

Appointment of Proxyholder

The persons named in the enclosed form of proxy are officers of the Corporation. **A shareholder has the right to appoint some other person who need not be a shareholder, to represent the holder at the Meeting by striking out the names of the persons designated in the accompanying Form of Proxy and by inserting such other person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form.** Completed Forms of Proxy must be received at the office of Equity Transfer Services Inc. by mail or by fax no later than twenty-four (24) hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or adjournment thereof or may be accepted by the Chairman of the Meeting prior to the commencement of the Meeting. The mailing address for completed proxy forms is:

Equity Transfer Services Inc., Proxy Dept. 420 – 120 Adelaide Street West, Toronto Ontario M5H 4C3

Fax: (416) 361-0470

Non-Registered Shareholders

Pursuant to the requirements of the Canadian Securities Administrators, under National Instrument 54-101, the Company has distributed copies of the Notice of Meeting, this Management Information Circular and the Form of Proxy to the clearing agencies and intermediaries for distribution to non-registered shareholders of the Company who have not waived their right to receive such materials. Non-registered shareholders may be forwarded a Form of Proxy already signed by the intermediary or a Voting Instruction Form to allow them

to direct the voting of the Common Shares they beneficially own. A Voting Instruction Form (which is not a Form of Proxy) is normally mailed to non-registered shareholders by their broker.

Should a non-registered shareholder who receives a Form of Proxy wish to attend, and vote at the Meeting in person (or have another person attend and vote on his/her behalf), the non-registered shareholder should strike out the names of the persons named in the Form of Proxy and insert his/her own, or another person's name in the blank space provided.

Shareholders should note that if they have received a Voting Instruction Form from a broker or an intermediary, it is not a valid Form of Proxy and cannot substitute for a Form of Proxy at the Meeting. The Scrutineer of the Meeting cannot count the votes of a non-registered shareholder wishing to vote in person or by proxy at the Meeting unless such shareholder holds a valid Form of Proxy from the Intermediary. Such shareholders need to contact their broker or intermediary and arrange delivery to them of a valid Form of Proxy.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the close of business on May 17, 2005 (the "Record Date"), there were 12,437,000 common shares ("Common Shares") of the Corporation outstanding. Each shareholder of record at the close of business on May 17, 2005 is entitled to vote the Common Shares then held of record by such shareholder at the Meeting, except to the extent that any of those Common Shares have been transferred and the transferee has both established the transferee's ownership of the transferred Common Shares and demanded, not later than ten days prior to the Meeting, that the Corporation recognize the transferee as the person entitled to vote the transferred Common Shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, as at the Record Date no person beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the outstanding Common Shares, except Hersh Spiegelman, who beneficially holds or controls 4,015,000 Common Shares, representing approximately 32% of the outstanding Common Shares of the Company.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. FINANCIAL STATEMENTS

The Annual Report, which includes the Financial Statements of the Corporation for the year ended December 31, 2004 with the Auditors' Report thereon and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year and accompanying this Management Information Circular, will be placed before the shareholders at the Meeting for their consideration.

Under National Instrument 54-101 adopted by the Canadian Securities Administrators, a person or Corporation who in the future wishes to receive interim financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a

signed statement that the person or Corporation is the owner of securities (other than debt instruments) of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed notice to the Corporation or its Transfer Agent.

2. Approval of 2005 Stock Option Plan

At a meeting held on February 28, 1997, the Shareholders approved Telehop's Stock Option Plan (the "1997 Plan"), which reserved an aggregate of 1,500,000 Telehop Common Shares ("Telehop Shares") for issuance.

Since June 1997, an aggregate of 369,500 Telehop Shares have been issued as a result of the exercise of stock options ("options") granted pursuant to the 1997 Plan. As a result, there are presently 1,130,500 Telehop Shares reserved for issuance pursuant to the 1997 Plan, of which 1,089,500 options are outstanding as of the date of this Circular. At present, an additional 41,000 stock options are available for grant under the Plan.

At the Meeting, Shareholders will be asked to approve the Telehop 2005 Incentive Stock Option Plan (the "2005 Plan"), to take effect from the date of Shareholder approval should the resolution be approved. Subject to shareholder approval, the 2005 Plan authorizes 1,800,000 Stock Options to be issuable under the 2005 Plan which represents approximately 14.5% of the number of shares currently outstanding, including shares issuable under options granted under the 1997 Plan, which would also be recognized under the new plan. In order to increase the 2005 Plan maximum to 1,800,000 common shares, a further 669,500 common shares must be authorized by shareholders for issuance under the 2005 Plan, representing 5.3% of the outstanding shares.

Pursuant to the TSX Venture requirements, a simple majority of those voting is required to adopt the resolution.

The purpose of the 2005 Plan is to provide incentives to Employees, Officers, Consultants and Directors of the Company (and its subsidiaries, which includes partnerships and other entities that are controlled by the Company) that are tied to the long term performance and growth of the Company and the total return to Shareholders. No financial assistance will be provided by the Company to option holders in connection with the exercise of stock options granted under the 2005 Plan.

The principal features of the 2005 Plan are:

- (1) All Directors, Officers, Employees and Consultants under written contract with the Company applying significant time and service to the Company or its affiliates are eligible to receive options under the 2005 Plan.
- (2) The Board has the discretion to prescribe vesting restrictions for options granted.
- (3) Options expire 30 days after a recipient ceases to qualify as a Director, Officer, Employee or Consultant under written contract.

- (4) In the event of a take-over bid, the vesting restrictions of outstanding stock options may be reduced.
- (5) The Board administers the granting of all options under the 2005 Plan.
- (6) The number of shares issuable to insiders, at any time, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding shares and the number of shares issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding shares.
- (7) For stock options granted to Employees, Consultants or Management Company Employees, the Company represents that the Optionee is a bona fide Employee, Consultant or Management Company Employee, as the case may be, and will not grant stock options except to such qualified persons.
- (8) The options are non-assignable and are exercisable for a period of five years from the date of grant.

It is the Board's belief that in the highly competitive telecommunications industry in which the Company competes, the proposed 2005 Plan will position the Company to compete with other telecommunications companies for key employees while at the same time providing an appropriate incentive mechanism for its key personnel. The proposed increase in the number of shares issuable under the 2005 Plan reflects the Board's attempt to plan for the potential growth in the number of employees and consultants of the Company, and to provide the Company with the ability to sustain such growth and retain key personnel through industry-competitive compensation and incentives. Consequently, at the Meeting, the shareholders will be asked to consider and, if thought advisable, to pass, with or without amendment, the following authorizing approval of the 2005 Plan as follows:

RESOLVED THAT:

1. The 2005 Incentive Stock Option Plan (the "2005 Plan") which is described in this Management Information Circular be and is hereby approved and adopted;
2. The making of any revisions to the 2005 Plan as may be required by the TSX Venture Exchange, and as may be approved by any two of the Chairman of the Board, the Chief Operating Officer, any Director or Officer, be and is hereby approved; and
3. Any director or officer of the Company be and each of them is hereby authorized, for and on behalf of the Company, to execute and deliver such other documents and instruments and take such other actions as such Officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.

A copy of the 2005 Plan may be obtained from the Secretary of the Corporation at no charge.

Unless otherwise instructed, the persons named in the accompanying proxy (provided the same is duly executed in their favour and is duly deposited) intend to vote FOR the approval and adoption of the 2005 Plan.

3. Election of Directors

The Articles of the Corporation provide that the Board of Directors is to consist of a minimum of three directors and a maximum of nine, with the actual number to be determined from time to time by the Board of Directors. The number of directors has been fixed at six. Proxies received in favour of Management's nominees set out in the table below will be voted for the following proposed director nominees (or for substitute nominees in the event of contingencies not known at present) who will, subject to the by-laws of the Corporation and the governing legislation, serve until the next annual meeting of shareholders or until their successors are duly elected or appointed. The following table and notes are based on information provided by the nominees as of the date of the Notice of Meeting.

Name and province of residence	Director Since	Position with Company / Present and Principal Occupation	No. of Common shares owned / controlled as at April 27, 2005	No. of Options held as at April 27, 2005
Hersh Spiegelman Toronto, Ontario	May 11, 1993	President & CEO of the Corporation	4,015,000	100,000
Celia Denov ^{(1) (2)} Toronto, Ontario	Feb 28, 1997	Director/Consultant, Policy & Organization C. Denov & Associates	399,000	100,000
Ruth Bartholomeusz Toronto, Ontario	Jun 22, 2000	COO	130,000	110,000
Bryan Ceresne ^{(1) (2)} Toronto, Ontario	Jun 12, 2003	Director/Insurance broker, Health Source Plus Ltd.	Nil	100,000
Daniel H. Kayfetz ^{(1) (2)} Toronto, Ontario	Jun 12, 2003	Director / Barrister and Solicitor, Sole Practitioner	Nil	100,000
Barry Dixon Pickering, Ontario	Jan 25, 2005	Director/Consultant - Until 2003, Senior VP Carrier Services - Bell Canada	Nil	Nil

(1) Member of Audit Committee

(2) Member of Compensation and Corporate Governance Committee

Unless otherwise instructed, the persons named in the accompanying proxy (provided the same is duly executed in their favour and is duly deposited) intend to vote FOR the appointment of the above-listed individuals as Directors of the Corporation, to hold office, subject to the by-laws of the Corporation and the governing legislation, until the

next Annual Meeting of Shareholders of the Corporation, or until successors are duly elected or appointed.

4. RE-APPOINTMENT OF AUDITORS

It is proposed that Deloitte & Touche LLP, Chartered Accountants (“DT”) be re-appointed as auditors of the Corporation to hold office until the next annual meeting of shareholders and to authorize the directors to fix the auditor’s remuneration. DT have served as auditors of the Corporation since March 25, 1998.

The aggregate fees billed by DT for the each of the years ended December 31, 2004 and 2003, being the Corporations two most recently completed fiscal years, are summarized as follows:

Fee Category	Fiscal 2004	Fiscal 2003
Audit Fees	\$47,700	\$46,500
Audit-Related Fees ⁽¹⁾	Nil	Nil
Tax Fees	\$47,700	\$46,500

(1) Audit-Related Fees consist of fees to perform an auditors’ review of the Corporation’s quarterly interim financial statements on behalf of the Corporation’s audit committee

Unless otherwise instructed, the persons named in the accompanying proxy (provided the same is duly executed in their favour and is duly deposited) intend to vote FOR the appointment of DT as auditors of the Corporation, to hold office until the close of the next Annual Meeting of Shareholders of the Corporation, at a remuneration to be fixed by directors of the Corporation.

REPORT ON EXECUTIVE COMPENSATION

Composition of Compensation Committee

The Compensation Committee is comprised of three individuals, namely, Celia Denov (Chair of the Committee), Bryan Ceresne and Daniel Kayfetz, all of whom are unrelated directors. None of these Directors had a prior affiliation with the Company as an officer or employee. There has been no change in membership in 2004 compared to the prior year.

Principles of Executive Compensation

Compensation of the executive officers of the Company, including the “Named Executive Officers” (determined for the Company in accordance with applicable securities legislation), is overseen by the Compensation Committee. The approach adopted by the Compensation Committee is to focus on a number of key objectives and to align the achievement of such objectives with competitive remuneration, that attracts and permits the Company to retain executives critical to the Company’s short and long term performance and success. Executive compensation has historically been set by the Compensation Committee, based upon pre-determined corporate performance objectives, which have been targeted against a base year’s performance. Compensation incentives are set to foster the attainment of performance

objectives that reward superior corporate performance. The Company has historically placed a greater emphasis on cash compensation than stock option incentives for senior management.

In seeking to enhance and improve the total compensation structure for executive officers, the Company retained an independent compensation specialist (“Consultant”) in the fourth quarter of 2004 to review the compensation structure of the Company relative to its peers, both in long distance communications companies and in other companies of comparable size in broader industrial settings. The Consultant’s report was delivered to the Compensation Committee in the First Quarter of 2005. The Consultant determined that Telehop’s executive compensation fell within the recommended range for base salary. A revised annual bonus structure, based on financial performance, was recommended and will be adopted by the Company in 2005 and will take into account gross sales and Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”), to be benchmarked against budgeted targets to be set by the Compensation Committee in consultation with the Consultant. The Company is without a directly comparable Canadian public peer. The Committee is of the view that the median compensation for executive officers must be reviewed annually and measured in accordance with the Company’s financial performance, achievement of corporate objectives, and delivery of returns to Shareholders.

The recommendations of the Compensation Committee and the Consultant’s report were approved by the Board and there were no dissenting votes during the course of deliberations.

Compensation of the Chief Executive Officer.

The Compensation Committee of the Board assesses the overall performance of the Chief Executive Officer (“CEO”) each year. The Committee considers this assessment in determining the CEO’s salary and recommending short and long-term compensation awards for the CEO to the Board of Directors. The Committee historically measured the CEO’s annual performance against historical sales and EBITDA in a base year. For 2005, the Committee’s determination of the CEO’s base salary, bonus, and other incentive awards, will be based on a number of considerations taking into account the recommendations of Consultant which will measure sales and EBITDA against a pre-set budget, without factoring in historical results. For 2004, the CEO’s base salary was set at Cdn\$250,415. Based on the earnings measures set against the base year’s results, Mr. Spiegelman was awarded a 2004 year-end bonus of Cdn\$343,242.

Summary Compensation Table

The following table sets forth the compensation earned during fiscal 2004, 2003 and 2002 by individuals who were the Chief Executive Officer or the Chief Financial Officer of the Corporation at any time during 2004, as well as the only other executive officer of the Corporation as at December 31, 2004 who earned in excess of \$150,000 during the year (collectively, the “Named Executive Officers”).

Name and Principal Position	Annual Compensation				Long Term Compensation Awards			All Other Compensation (\$)
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Pay-outs (\$)	
Hersh Spiegelman President and Chief Executive Officer	2004	250,414.66	343,242.00	Nil	Nil	Nil	Nil	Nil
	2003	261,960.00	444,033.00	Nil	Nil	Nil	Nil	Nil
	2002	151,150.00	Nil	Nil	100,000	Nil	Nil	Nil
Ruth Bartholomeusz Chief Operating Officer	2004	161,182.10	Nil	Nil	Nil	Nil	Nil	Nil
	2003	129,278.00	Nil	Nil	110,000	Nil	Nil	Nil
Robert Violi [#] Chief Financial Officer	2004	79,500	Nil	Nil	Nil	Nil	Nil	Nil
Glenn Reinecke* Controller	2004	64,000	Nil	Nil	Nil	Nil	Nil	Nil
	2003	95,000	Nil	Nil	70,000	Nil	Nil	Nil

* Glenn Reinecke held a position in which he acted in a capacity similar to that of a Chief Financial Officer from January 2003 to May 2004

[#] Robert Violi held position of Chief Financial Officer from May 2004 to December 2004

Long Term Incentive Plans

There were no such plans awarded in the last completed fiscal year. The Company has no outstanding stock appreciation rights.

Aggregated Option Exercises During 2004 and Financial Year End Option Values

Name	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options at December 31, 2004 (#)		Value of Unexercised in-the-Money Options at December 31, 2004 ⁽¹⁾ (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Hersh Spiegelman	Nil	Nil	100,000	Nil	14,000	Nil
Ruth Bartholomeusz	130,000 ⁽²⁾	52,500	110,000 ⁽²⁾	Nil	15,400	Nil
Glenn Reinecke	70,000 ⁽³⁾	50,400	Nil	Nil	Nil	Nil

(1) Based on the closing price of the Common Shares on the TSX Venture Exchange on December 31, 2004 of Cdn\$0.34

(2) 30,000 options were exercised on March 18, 2004 and a further 100,000 exercised on September 9, 2004, all at \$0.20 per share.

(3) 15,000 options were exercised on March 23, 2004 and a further 55,000 exercised on March 25, 2004, all at \$0.20 per share

Defined Benefit or Actuarial Plan Disclosure

The Company set up a pension plan for the CEO and COO in February 2005, which will accrue benefits effective from January 2004. The cost of the plan have been accrued and expensed in Q1 of 2005. For further details refer to the Notes in the Financial Statements for Q1 2005.

Employment Contracts

The Company entered into an employment agreement with Hersh Spiegelman which expires when Mr. Spiegelman reaches age 65, unless terminated earlier in accordance with its terms. The agreement provides for a severance payment equal to two years salary in the event of termination of employment arising from a change of control.

Options Granted During 2004

During the Company's most recently completed fiscal year, no incentive stock options were granted to the Named Executive Officers.

Securities authorized for issuance under equity compensation plans

The following table provides information as at December 31, 2004 with respect to common shares authorized for issuance under the company's stock option plan. Descriptions of the company's stock option plan are incorporated by reference and detailed under Note 7 "Shareholders Equity" and Note 2 "Stock-Based Compensation Plans" of the company's consolidated financial statements and notes thereto for the fiscal year ending December 31, 2004.

Plan Category	Number of securities to be issued upon exercise of outstanding options and employee share purchase plan shares (a)	Weighted average exercise price of outstanding options (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,089,500	\$0.23	41,000
(i) Employee stock options	Nil	Nil	Nil
(ii) Employee share purchase plan			
Total	1,089,500	\$0.23	41,000

6. DISCLOSURE IN ACCORDANCE WITH MULTILATERAL INSTRUMENT 52-110F2

The overall purpose of the Audit Committee (the “Committee”) of the Company is to monitor the Company’s system of internal financial controls and procedures, to evaluate and report on the integrity of the financial statements of the Company, to enhance the independence of the Company’s external auditors and to oversee the financial reporting process of the Company.

A) Audit Committee Charter

COMPOSITION, PROCEDURES AND ORGANIZATION

The Committee shall consist of at least three members of the board of directors of the Company (the “Board”), each of whom shall be, in the determination of the Board, “unrelated” as that term is defined by the Toronto Stock Exchange Corporate Governance Guidelines, as amended from time to time, and Multilateral Instrument 52-110 (“MI 52-110”) where applicable, and the majority of whom shall be resident Canadians.

At least one member of the Committee shall be, in the determination of the Board, based on industry standards, “financially literate”, and at least one member of the Committee must have, in the determination of the Board, “accounting or related financial expertise”, as such terms are described in MI52-110.

The Board, at its organizational meeting held in conjunction with each annual meeting of shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director shall cease to be a member of the Committee.

Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from amongst their number. The chair shall be an “unrelated” director and shall not have a second, or casting, vote.

The Committee shall have access to such officers and employees of the Company and to the Company's external auditors and its legal counsel, and to such information respecting the Company as it considers to be necessary or advisable in order to perform its duties.

Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Company, be entitled to attend and to be heard thereat.

Meetings of the Committee shall be conducted as follows:

- (a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;
- (b) the external auditors or any member of the Committee may call a meeting of the Committee;
- (c) any director of the Company may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the chair of the Committee.
- (d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee; and
- (e) the Committee may require any attendee at a meeting who is not an "unrelated" director to excuse himself from any meeting.

The external auditors may communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the Company as it deems necessary, and any employee may bring before the Committee through the chair any matter involving questionable, illegal or improper practices or transactions, with open access to the Committee through appropriate channels that ensure the employee's confidentiality and job security, as appropriate.

Compensation to members of the Committee shall be limited to director's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Company (other than as members of the Board and Board committee members).

The Committee as a whole or any individual member of the Committee is authorized, at the Company's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties.

DUTIES

The overall duties of the Committee shall be to:

- (a) assist the Board in the discharge of its duties relating to the Company's accounting policies and practices, reporting practices and internal controls;
- (b) establish and maintain a direct line of communication with the Company's external auditors and assess their performance;
- (c) oversee the co-ordination of the activities of the external auditors;
- (d) ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal controls;

- (e) monitor the credibility and objectivity of the Company's financial reports and satisfy itself that adequate procedures are in place for the review of Company information extracted from the financial statements;
- (f) report regularly to the Board on the fulfillment of the Committee's duties; establish procedures for the receipt and retention of complaints received by the Company regarding accounting, audit, and control matters;
- (g) assist the Board in the discharge of its duties relating to risk assessment and risk management; and
- (h) review and approve the hiring policies regarding employees or former employees of the external auditor;

The duties of the Committee as they relate to the external auditors shall be to:

- (a) review management's recommendations for the appointment of external auditors, and in particular their qualifications and independence, and to recommend to the Board a firm of external auditors to be engaged to provide audit services;
- (b) review, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31 or any successor legislation, and the planned steps for an orderly transition;
- (c) review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Policy 31 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
- (d) review the engagement letters of the external auditors, both for audit and non-audit services and recommend to the Board their compensation;
- (e) review the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and
- (f) review the nature of and fees for any non-audit services performed for the Company by the external auditors and with outside legal advice confirm that the nature and extent of such services does not contravene the requirements of applicable legislation that require the firm's independence be maintained in carrying out the audit function.
- (g) pre-approve all non-audit services to be provided to the Company or its affiliates by the external auditor.

The duties of the Committee as they relate to audits and financial reporting shall be to:
review the audit plan with the external auditor and management;

- (a) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
- (b) review the contents of the audit report;
- (c) question the external auditor and management regarding significant financial
- (d) reporting issues discussed during the fiscal period and the method of resolution;
- (e) review the scope and quality of the audit work performed;
- (f) review the adequacy of the Company's financial and auditing personnel;

- (g) review the co-operation received by the external auditor from the Company's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work and resolve disagreements between management and the external auditor regarding financial reporting;
- (h) review the internal resources used;
- (i) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses;
- (j) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;
- (k) review and recommend to the Board, the Company's annual audited financial statements and those of its subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (l) review and recommend to the Board, the Company's interim unaudited financial statements, MD&A and press release, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (m) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters; and
- (n) review the terms of reference for an internal auditor or internal audit function.

The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

- (a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Company's financial reporting as reported to the Committee by management and the external auditors;
- (b) review the appropriateness of the accounting policies used in the preparation of the Company's financial statements and consider recommendations for any material change to such policies;
- (c) review the status of material contingent liabilities or accruals as reported to the Committee by management;
- (d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;
- (e) review any errors or omissions in the current or prior year's financial statements and establish guidelines for re-statement;
- (f) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all press releases, prospectuses, annual reports to shareholders, annual information forms and management's discussion and analysis; and
- (g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

Composition of the Audit Committee

The Audit Committee is comprised of three individuals, namely, Bryan Ceresne (Chair), Celia Denov and Daniel Kayfetz, all of whom are independent. Bryan Ceresne is a Chartered Accountant in good standing and is financially literate. The Board considers Messrs. Denov and Kayfetz to be financially literate.

7. INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

No insider of the Company has any interest, direct or indirect, in any material transactions involving it during the fiscal year ended December 31, 2004.

8. INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

No Director, Executive Officer or Senior Officer of the Corporation has been indebted to the Corporation or any of its subsidiaries, nor has any Director, Executive Officer or Senior Officer of the Corporation been indebted to another entity which indebtedness is the subject of a guarantee, support in agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

9. ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR (www.sedar.com) or the Corporation's web site (www.telehop.com). Security holders may contact the Corporate Secretary of the Corporation by telephone at (416) 494.4490 or by fax at (416) 494.3788 to request copies of the Corporation's financial statements and management discussion and analysis.

Financial information is provided in the Corporation's comparative financial statements and management discussion and analysis.

10. APPROVAL

The contents and the sending of this Management Information Circular have been approved by the Board of Directors of the Corporation.

Toronto, Ontario, Canada
May 17, 2005

TELEHOP COMMUNICATIONS INC.

"Hersh Spiegelman", signed
President & Chief Executive Officer