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**PETROCORP GROUP INC.**

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**NOTICE OF ANNUAL GENERAL MEETING  
OF SHAREHOLDERS TO BE HELD  
DECEMBER 6, 2012**

**and**

**INFORMATION CIRCULAR**

**Dated November 9, 2012**

**PETROCORP GROUP INC.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE is hereby given that an annual general meeting (the "**Meeting**") of the Shareholders of PetroCorp Group Inc. (the "**Corporation**" or "**PetroCorp**") will be held at the offices of Burstall Winger LLP Suite 1600 Dome Tower, 333 – 7<sup>th</sup> Avenue SW, Calgary, Alberta on Thursday, December 6, 2012 at 3:00 p.m. (Calgary time) for the following purposes:

1. To consider the financial statements of the Corporation, together with the report of the auditors thereon, for the years ended March 31, 2012 and 2011;
2. To fix the number of directors to be elected at the Meeting at four (4);
3. To elect directors to hold office until the next annual meeting of shareholders of the Corporation;
4. To appoint PricewaterhouseCoopers LLP as auditors of the Corporation to hold office until the next Annual General Meeting of Shareholders and to authorize the board of directors of PetroCorp to fix their remuneration; and
5. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular.

Each person who is a holder of common shares ("**Common Shares**") of the Corporation of record at the close of business on November 6, 2012 (the "**Record Date**") is entitled to notice of, and to attend and vote at, the Meeting, provided that to the extent such holder transfers the ownership of any of his Common Shares after the Record Date and the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes that he owns such Common Shares and demands, not later than 10 days before the Meeting, that his name be included in the list of Shareholders entitled to vote at the Meeting, such transferee will be entitled to vote such Common Shares at the Meeting.

**Shareholders of the Corporation who are unable to attend the Meeting in person are requested to fill in, date and sign the form of proxy furnished by the Corporation and to mail or deposit it with Olympia Trust Company, Suite 2300, 125 – 9<sup>th</sup> Avenue S.E., Calgary, Alberta, T2G 0P6. In order to be valid and acted upon at the Meeting, instruments of proxy must be returned to the aforesaid address not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.**

DATED at Edmonton, Alberta, this 9<sup>th</sup> day of November, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "Larry Patriquin"  
Larry Patriquin, President and Chief Executive Officer

**PETROCORP GROUP INC.**

**INFORMATION CIRCULAR**

**Annual General Meeting of Shareholders  
To be held on December 6, 2012**

**INTRODUCTION**

This Information Circular ("**Information Circular**") is furnished in connection with the solicitation of proxies by the management of PetroCorp Group Inc. (the "**Corporation**" or "**PetroCorp**") for use at the annual general meeting of Shareholders (the "**Shareholders**") of the Corporation (the "**Meeting**") to be held at the offices of Burstall Winger LLP Suite 1600 Dome Tower, 333 – 7<sup>th</sup> Avenue SW, Calgary, Alberta on Thursday, December 6, 2012 at 3:00 p.m. (Calgary time) and at any adjournment thereof, and on every ballot that may take place in consequence thereof, for the purposes set forth in the Notice of Annual General Meeting of Shareholders accompanying this Information Circular.

Unless otherwise stated, the information contained in this Information Circular is given as at November 9, 2012.

**GENERAL PROXY INFORMATION**

The board of directors of PetroCorp (the "**Board of Directors**" or the "**Board**") has fixed the record date for the Meeting at the close of business on November 6, 2012 (the "**Record Date**"). Only holders of common shares of the Corporation ("**Common Shares**") of record as at that date are entitled to notice of the Meeting. Shareholders of record will be entitled to vote those Common Shares included in the list of Shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such Shareholder transfers Common Shares after the Record Date and the transferee of those Common Shares, having produced properly endorsed certificates evidencing such Common Shares or having otherwise established that he owns such Common Shares, demands not later than ten (10) days before the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

As at the date hereof, there were 72,323,254 Common Shares issued and outstanding. Two persons present in person and holding or representing not less than ten percent (10%) of the Common Shares entitled to vote thereat will constitute a quorum at the Meeting.

**Appointment of Proxies**

Instruments of proxy must be mailed so as to reach or be deposited with the Registrar of the Common Shares of the Corporation, Olympia Trust Company, Suite 2300, 125 – 9<sup>th</sup> Avenue S.E., Calgary, Alberta, T2G 0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

Instruments of proxy must be in writing and must be executed by the Shareholder or his attorney authorized in writing or, if the Shareholder is a corporation or other entity, under its corporate seal or by an officer or attorney thereof duly authorized. Persons signing as executors, administrators, trustees, etc. should so indicate and give their full title as such.

**The persons named in the form of proxy furnished by the Corporation are officers of the Corporation. Each Shareholder has the right to appoint a person or persons, who need not be a Shareholder of the Corporation, other than the persons designated in the form of proxy furnished by the Corporation, to attend and act for him and on his behalf at the Meeting. To exercise such right, the names of management's nominees must be crossed out and the name(s) of the Shareholder's nominee(s) legibly printed in the blank space provided, or another appropriate instrument of proxy may be submitted.**

## Advice to Beneficial Holders of Common Shares

**The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of Shareholders do not hold their Common Shares in their own name.** Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares or their proxyholders are permitted to vote at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those shares will not be registered in the Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting instruction form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting instruction forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or a website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form or a proxy with a Broadridge sticker on it cannot use that voting instruction form or proxy to vote Common Shares directly at the Meeting. The voting instruction form or proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder who wishes to attend the Meeting and indirectly vote its Common Shares as proxyholder for the registered Shareholder, should enter its own name in the blank space on the proxy form or voting instruction form provided to it and return the same to its broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

**Beneficial Shareholders should follow the instructions on the forms that they receive and contact their intermediaries/brokers promptly if they need assistance.**

### Revocability of Proxy

A Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy by depositing an instrument in writing executed by the Shareholder or by attorney authorized in writing or, if the Shareholder is a corporation or other entity, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited with Olympia Trust Company, Suite 2300, 125 – 9<sup>th</sup> Avenue S.E., Calgary, Alberta, T2G 0P6 at any time up to 5:00 p.m. (Calgary time) on the last business day before the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

### Persons Making the Solicitation

**This solicitation is made on behalf of the management of the Corporation.** The costs incurred in the preparation and mailing of the form of Proxy furnished by the Corporation, the Notice of Annual General Meeting of Shareholders and this Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, telephone or other means of communication by directors, officers and employees of the Corporation, none of whom will be specifically remunerated therefor.

### Exercise of Discretion

Common Shares represented by properly executed proxies will be voted in accordance with the choice specified by the Shareholder with respect to any matter to be acted upon and will be voted or withheld from voting on any ballot in accordance with the Shareholder's instructions. **In the absence of such specification, the management designees, if named as proxy, will vote such Common Shares in favour of the matters described in the Notice of Annual General Meeting of Shareholders. The persons appointed under the form of Proxy furnished by the Corporation are conferred discretionary authority with respect to amendments or variations of those matters specified in the Proxy and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof.** At the time of the printing of this Information Circular, the management of the Corporation knows of no such amendment, variation or other matter. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of the management of the Corporation.

### Interests of Certain Persons or Companies in Matters to be Acted Upon

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year or any nominee for election as a director, or of any associate or affiliate of any of such persons, in any matter to be acted on at the Meeting other than the election of directors.

### MATTERS TO BE ACTED UPON AT THE MEETING

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual General Meeting of Shareholders. **However, if any other matter properly comes before the Meeting, the management designees, if named as proxy, will vote on such matter in accordance with the best judgment of the person or persons voting the proxy.**

### Receipt of Financial Statements

The directors will place before the Meeting the audited consolidated financial statements for the financial years ended March 31, 2012 and 2011 (collectively, the "**Annual Financial Statements**"), together with the auditors' report thereon. The Annual Financial Statements are available on the System for Electronic Document Retrieval and Analysis ("**SEDAR**") of the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com). Shareholder approval is not required in relation to these financial statements.

### Fix Number of Directors

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected at the Meeting. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by Shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that four (4) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at four (4).**

## Election of Directors

**The management designees, if named as proxy, intend to vote the Common Shares represented by any such proxy for the election of the following nominees to the Board of Directors, unless the Shareholder has specified in the Shareholder's proxy that the Shareholder's Common Shares are to be withheld from voting in the election of directors.**

The Board has adopted an individual voting standard for the election of directors at the Meeting. Under the individual voting standard, in the event that a nominee for director receives a greater number of votes "withheld" than votes "for" his or her election as a director, the Board shall consider the circumstances of such vote, the particular attributes of the director nominee including his or her knowledge, experience and contribution at Board meetings and make whatever determination the Board deems appropriate, including without limitation, requesting such director to resign at an appropriate time and advise Shareholders of the Board's decision in that regard. This policy applies only to uncontested elections, meaning elections where the number of nominees for directors is equal to the number of directors to be elected. The Board may fill any vacancy created by any such resignation or determine to leave the resulting vacancy unfilled.

Shareholders should note that, as a result of the majority voting policy, a "withhold" vote is effectively the same as a vote against a director nominee in an uncontested election.

**Management does not contemplate that any of the nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion, unless the Shareholder has specified in the Shareholder's proxy that the Shareholder's Common Shares are to be withheld from voting in the election of directors.**

The names and municipalities of residence of the persons nominated for election as directors, the offices held by each in the Corporation, the principal occupation of each, the period served as a director and the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each exercises control or direction, are as follows:

<u>Name and Municipality of Residence</u>	<u>Position(s) Held</u>	<u>Director Since</u>	<u>Present Principal Occupation and Principal Occupation for Past Five Years</u>	<u>Common Shares Owned or Under Control or Direction</u>
Larry Patriquin <sup>(1)(2)</sup> Leduc, Alberta	President, Chief Executive Officer and Director	December 15, 2009	Mr. Patriquin is currently President, CEO and owner of Little Guy Oilfield Rentals Inc., a company engaged in providing rig matting rentals. Mr. Patriquin was a director and officer of Den-Ray Rathole Drilling Ltd. (" <b>Den-Ray</b> ") from June 1986 to June 2006 and President of Den-Ray Rathole Drilling L.P. from June 2006 until December 2007, when Den-Ray was acquired by Impax Energy Services Income Trust in June of 2006. Since 2008, Mr. Patriquin was employed by the Corporation with responsibilities in a number of areas including corporate relations until December 15, 2009, when he was appointed President and Chief Executive Officer of the Corporation.	35,700,000 <sup>(3)</sup>
Martin Bernholtz <sup>(1)(2)</sup> Toronto, Ontario	Director and interim Chief Financial Officer from April 26, 2007 to June 5, 2007	February 21, 2007	Vice-President of Finance with Kerbel Group Inc., an integrated real estate development company since 1987.	1,363,249 <sup>(4)</sup>

<u>Name and Municipality of Residence</u>	<u>Position(s) Held</u>	<u>Director Since</u>	<u>Present Principal Occupation and Principal Occupation for Past Five Years</u>	<u>Common Shares Owned or Under Control or Direction</u>
Garry G. Wetsch, Q.C. <sup>(1)(2)</sup> Edmonton, Alberta	Director	February 20, 2007	Since May 2010, corporate counsel for Landrex Inc., a land development company. From January 2007 to May 2010, Mr. Wetsch was an independent contractor with Winalta Inc. (" <b>Winalta</b> "). During the period of January 2007 to December 2008, Mr. Wetsch served in the role of Vice President of the community development division of Winalta and, from December 2008 until September 2009, Mr. Wetsch served in the role of president of Winalta Homes Inc. (" <b>Winalta Homes</b> "), a separate division of Winalta, at which time the role of president of Winalta Homes was eliminated. Mr. Wetsch continued to act as an independent contractor with Winalta from October 2009 until May 2010. Prior thereto, Mr. Wetsch was a partner with the law firm of Hustwick, Wetsch, Moffat & McCrae.	50,000
Hal Beauclair <sup>(1)(2)</sup> Leduc, Alberta	Director	July 8, 2010	Since December, 1999, President and owner of Mustang Constructors Inc., a company engaged in providing construction management and dispute resolution services to the construction industry.	Nil

## Notes:

- (1) Audit Committee member.
- (2) Compensation and Corporate Governance Committee member.
- (3) Of these, 35,000,000 Common Shares are held through AWG Ventures Inc., a private Alberta company controlled by Larry Patriquin.
- (4) Of these, 1,134,249 Common Shares are held through a numbered company controlled by Mr. Bernholtz.

As at the date hereof, the proposed directors named above and officers of the Corporation currently, directly or indirectly, own or exercise control or direction over 37,113,249 Common Shares or 51.3% of the issued and outstanding Common Shares. As at the date hereof, the directors of the Corporation hold stock options to purchase an aggregate of 100,000 Common Shares.

*Cease Trade Orders*

No proposed director, within 10 years before the date of this Information Circular, has been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

*Bankruptcies*

Other than as set forth below, no proposed director, within 10 years before the date of this Information Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of the proposed director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In connection with his independent contractor relationship with Winalta, from December 2008 to September 2009, Mr. Wetsch served the role of president of Winalta Homes, a division of Winalta. On September 30, 2009, the position of president of Winalta Homes was eliminated and Mr. Wetsch continued his relationship as an independent contractor with Winalta until May 8, 2010. On April 26, 2010, Winalta and certain of its subsidiaries, including Winalta Homes, obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") pursuant to an order granted by the Court of Queen's Bench of Alberta. The order provided Winalta and Winalta Homes with CCAA protection for an initial period expiring May 21, 2010, which through a series of extensions was extended until October 31, 2010. Winalta Homes was placed into receivership by order dated October 22, 2010.

#### *Personal Bankruptcies*

No proposed director has, within 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director.

#### *Penalties and Sanctions*

No proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

#### **Appointment of Auditors**

**The management designees, if named as proxy, intend to vote the Common Shares represented by any such proxy in favour of a resolution to reappoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next Annual General Meeting of Shareholders and to authorize the directors to fix their remuneration, unless the Shareholder has specified in the Shareholder's proxy that the Shareholder's Common Shares are to be withheld from voting in the appointment of auditors.**

If elected, PricewaterhouseCoopers LLP will hold office as auditor of the Corporation until the next Annual General Meeting of Shareholders or until their successor is duly elected or appointed pursuant to the by-laws of the Corporation, unless their position is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) ("ABCA") or the Corporation's by-laws.

PricewaterhouseCoopers LLP have been the auditors of the Corporation since September 30, 2008 and prior thereto, Grant Thornton LLP was the auditor of the Corporation since 2004.

### **INFORMATION CONCERNING THE CORPORATION**

#### **Voting Common Shares and Principal Holders Thereof**

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, of which as at November 9, 2012, there were 72,323,254 Common Shares and no preferred shares issued and outstanding. Each Common Share carries the right to one vote at the Meeting. Two persons present in person and holding or representing not less than ten percent (10%) of the Common Shares entitled to vote thereat will constitute a quorum at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, other than as set forth below, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of the



Corporation carrying ten percent (10%) or more of the voting rights attached to any class of voting securities of the Corporation.

<u>Name and Municipality of Residence</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number</u>	<u>% of Common Shares</u>
Larry Patriquin	Common Shares	Direct and Indirect	35,700,000 <sup>(1)</sup>	49.4%

Note:

(1) This amount includes 35,000,000 Common Shares held by AWG Ventures Inc., a private company controlled by Mr. Patriquin.

## STATEMENT OF EXECUTIVE COMPENSATION

Form 51-102F6 *Statement of Executive Compensation*, defines "Named Executive Officers" ("NEOs") as the Chief Executive Officer, the Chief Financial Officer and each of PetroCorp's three most highly compensated officers other than the Chief Executive Officer and Chief Financial Officer, whose total compensation in the financial year ended March 31, 2012 was more than \$150,000 and any additional individuals who would have been a Named Executive Officer under the preceding categories except that the individual was not serving as an officer at the end of the most recently completed financial year.

The following sections set forth the remuneration of Named Executive Officers as well as a description of all other applicable compensation provided to executives of PetroCorp.

### Compensation Discussion and Analysis

Prior to December 15, 2009, the Corporation's objectives with respect to executive compensation were as described in the Corporation's Information Circular dated November 3, 2009 available in the Corporation's profile available on SEDAR at [www.sedar.com](http://www.sedar.com). On December 15, 2009, the Shareholders approved as a special resolution the sale of substantially all of the Corporation's assets to subsidiaries of Powell Industries Inc. (the "**Transaction**"), and the Transaction was completed effective December 15, 2009, except for the sale of certain assets of the Corporation located in Kazakhstan which was completed effective April 1, 2010.

Since the completion of the Transaction, the Corporation has been an inactive company with no ongoing business operations. The Corporation's primary responsibility is to collect the funds payable pursuant to the agreements governing the Transaction and to administer the funds for distribution or other investment. Given the current status of the Corporation since the Transaction, the process for determining executive compensation has been a discussion among the Board and negotiations with the executives to determine a fixed salary sufficient to retain the executives in their current positions. No formal objectives, criteria or analysis has been developed and no bonuses or other incentives have been provided to the executives and no stock options have been granted since the completion of the Transaction on December 15, 2009.

Since April 1, 2011, Larry Patriquin, the Chief Executive Officer of the Corporation, has agreed to receive a salary of \$4,000 per month and since December 1, 2010, Randy Fries, the interim Chief Financial Officer of the Corporation, has agreed to receive a fee of \$3,000 per month payable to his company, plus hours in excess of a mutually agreed quarterly level are compensated at a fixed hourly rate.

#### *Option Based Awards*

The issuance of stock options to executive officers is intended to encourage share ownership in PetroCorp and to motivate them to focus on behaviour that will result in improving PetroCorp's operations and financial results and therefore lead to increases in the market value of the Common Shares. The Stock Option Plan is discussed under "*Stock Option Plan*" below. Previous grants of stock options are taken into account when considering new grants.

The Board of Directors determines, from time to time, the amount of stock options granted by PetroCorp, as well as the grant date or dates. No options have been granted under the Stock Option Plan since the completion of the Transaction on December 15, 2009.

As at March 31, 2012, the NEOs held 130,000 stock options.

### Summary Compensation Table

The following table sets forth the total compensation paid to or earned by the Named Executive Officers for PetroCorp's fiscal years ended March 31, 2012, 2011 and 2010.

Name and Principal Position	Year Ended March 31	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Larry Patriquin <sup>(2)</sup> President and Chief Executive Officer	2012	48,000	-	-	-	-	-	-	48,000
	2011	-	-	-	-	-	-	85,000 <sup>(5)</sup>	85,000
	2010	-	-	-	-	-	-	30,000 <sup>(6)</sup>	30,000
Randy Fries <sup>(3)</sup> Interim Chief Financial Officer	2012	-	-	-	-	-	-	57,750 <sup>(6)</sup>	57,750
	2011	-	-	-	-	-	-	188,688 <sup>(6)</sup>	188,688
	2010	-	-	-	-	-	-	70,000 <sup>(6)</sup>	70,000
Wayne Rutherford <sup>(4)</sup> President and Chief Executive Officer	2010	158,333	-	-	-	-	-	-	158,333
Jotham C. Huising Chief Financial Officer	2010	107,498	-	-	-	-	-	255,672 <sup>(7)</sup>	363,170

Notes:

- (1) Reflects the estimated fair value under the Black-Scholes pricing model of stock options granted in the year.
- (2) Larry Patriquin was appointed President and Chief Executive Officer effective December 15, 2009 and was initially engaged as a consultant. Commencing April 1, 2011, and as of the current date Mr. Patriquin is an employee of the Corporation.
- (3) Randy Fries was appointed as interim Chief Financial Officer effective December 15, 2009 and is engaged as a consultant through Fries Financial Consulting Ltd.
- (4) Wayne Rutherford was replaced as President and Chief Executive Officer on December 15, 2009, in conjunction with the Transaction.
- (5) This amount is comprised of \$80,000 of consulting fees and \$5,000 of director fees.
- (6) These amounts were paid to Messrs. Patriquin and Fries in their capacity as consultants with the Corporation.
- (7) Jotham Huising was replaced as Chief Financial Officer on December 15, 2009, in conjunction with the Transaction. Mr. Huising received a severance payment of \$255,672 as part of a change of control provision within his employment agreement.

### Currencies

Unless otherwise noted, all monetary amounts disclosed under the heading "*Statement of Executive Compensation*" are in Canadian dollars, which is the same currency that is used by PetroCorp in its financial statements.

### Incentive Plan Awards

#### *Outstanding Share -Based Awards and Option-Based Awards*

The following table sets forth the option-based and share-based awards granted to the NEOs to purchase or acquire securities of PetroCorp outstanding at the end of the financial year ended March 31, 2012.

Name	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)(2)</sup> (\$)	Number of Common Shares that have not vested (#)	Market or Payout value of share-based awards that have not vested (\$)
Larry Patriquin	-	-	-	-	-	-
Randy Fries	-	-	-	-	-	-
Jotham C. Huising	30,000 100,000	0.44 0.35	October 31, 2012 September 17, 2013	- -	- -	- -

Notes:

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at March 29, 2012, the last day the Common Shares traded in financial year ended March 31, 2012, being \$0.02 per Common Share, and the exercise price of the options.

#### *Incentive Plan Awards – Value Vested or Earned during the Year*

During the financial year ended March 31, 2012, no value vested or was earned on option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers.

#### **Stock Option Plan**

PetroCorp has adopted the Stock Option Plan for directors, officers, employees and consultants of the Corporation or any of its subsidiaries or affiliates ("**Participants**"). The number of authorized but unissued Common Shares that may be issued upon the exercise of options granted under the Stock Option Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10,500,000 Common Shares.

The Stock Option Plan is administered by the Board or by a committee appointed by the Board, if any. The number of options granted to a Participant and the exercise price thereof are set at the time of grant, provided that the exercise price shall not be lower than the market price of the Common Shares on the date of the grant, where "market price" is defined as the closing trading price of the Common Shares on the NEX Board of the TSX Venture Exchange on the day immediately prior to the date of grant. Options granted under the Stock Option Plan may be exercisable for a period of up to 10 years, and may vest at such times as determined at the time of grant. The exercise price must be paid in full on any exercise of options. The options are non-transferable and non-assignable. If a Participant ceases to hold his position with the Corporation for any reason, other than death or permanent disability, the Participants option will terminate on the earlier of the expiry date or the date that is 90 days after the date the Participant ceases to hold a position with the Corporation. If a Participant ceases to hold his position as a result of disability or death, the Participant's option will terminate on the earlier of the expiry date or six months after the date of the Participant's permanent disability or death. The Stock Option Plan may be amended by the Board of Directors, subject to the prior approval of any stock exchange or regulatory body having jurisdiction.

Under the Stock Option Plan, the number of Common Shares reserved for issuance pursuant to the Stock Option Plan to any one person in any 12 month period shall not exceed five percent (5%) of the issued and outstanding Common Shares. The number of Common Shares issued to insiders within a one (1) year period pursuant to the Stock Option Plan and all other security based compensation arrangements of the Corporation shall not exceed ten percent (10%) of the issued and outstanding Common Shares. The number of Common Shares issuable to insiders at any time pursuant to the Stock Option Plan and all other security based compensation arrangements of the Corporation shall not exceed ten percent (10%) of the issued and outstanding Common Shares. The number of Common Shares issued to any Participant within a 12 month period pursuant to the Stock Option Plan shall not exceed five percent (5%) of the issued and outstanding Common Shares determined at the date of grant. As of November 9, 2012 the Corporation has outstanding options to acquire 250,000 Common Shares.

## Pension Plan Benefits

PetroCorp and its operating entities do not have a pension benefits plan.

## Termination and change of control benefits

PetroCorp and its operating entities do not have any termination or change of control benefit obligations.

## Director Compensation

### *Director Compensation Table*

The following table sets forth the value of all compensation provided to directors, not including those directors who are also NEOs, during the financial year ended March 31, 2012.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other Compensation (\$)	Total (\$)
Martin Bernholtz	20,000	-	-	-	-	-	20,000
Garry G. Wetsch	20,000	-	-	-	-	-	20,000
Hal Beauclair	20,000	-	-	-	-	-	20,000

Note:

- (1) Reflects the estimated fair value under the Black-Scholes pricing model of Stock Options granted in the year.

The Compensation and Corporate Governance Committee makes a recommendation to the Board of Directors as to appropriate compensation for the directors of PetroCorp. The Board of Directors discusses the Committee's recommendations and provides the final approval.

PetroCorp's overall policy regarding compensation of members of the Board of Directors, who are not officers of PetroCorp, is structured to provide competitive levels of total compensation and to attract and retain suitable and qualified directors with commitment to PetroCorp.

The Board of Directors compensation program consists of a fixed quarterly payment for regular board meetings, board committees, and teleconference board meetings. Since the completion of the Transaction, no stock options have been granted to directors.

### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth the options granted to the directors of PetroCorp, not including those directors who are also NEOs, to purchase or acquire securities of PetroCorp outstanding at the end of the financial year ended March 31, 2012.

Name	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of Common Shares that have not vested (#)	Market or Payout value of share-based awards that have not vested (\$)
Martin Bernholtz	25,000	0.44	Oct 31, 2012	-	-	-
	50,000	0.30	Feb 28, 2013	-	-	-
Garry G. Wetsch	25,000	0.44	Oct 31, 2012	-	-	-
	50,000	0.30	Feb 28, 2013	-	-	-
Hal Beauclair	-	-	-	-	-	-

*Incentive Plan Awards – Value Vested or Earned during the Year*

During the financial year ended March 31, 2012, no value vested or was earned on option-based awards, share-based awards and non-equity incentive plan compensation paid to the directors of PetroCorp.

**EQUITY COMPENSATION PLAN INFORMATION**

Other than the Stock Option Plan, details of which are provided herein, the Corporation does not have any compensation plans under which equity securities of the Corporation (being Common Shares) are authorized for issue. The following table sets forth summary information regarding the Stock Option Plan as at March 31, 2012:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (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 securityholders <sup>(1)</sup>	330,000	\$0.35	10,170,000
Equity compensation plans not approved by securityholder	Nil	N/A	Nil
Total	330,000		10,170,000

Note:

- (1) The maximum number of Common Shares issuable upon the exercise of options granted under the Stock Option Plan at any time, including the number of Common Shares reserved for issuance under outstanding incentive stock options previously granted by the Corporation, is 10,500,000.

**Indebtedness of Directors and Executive Officers**

No current or former executive officer, director or employee of the Corporation or of any of its subsidiaries is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to the Corporation or any of its subsidiaries; or (ii) to another entity, where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

**Interest of Informed Persons in Material Transactions**

Management of the Corporation is not aware of any material interest, direct or indirect, of any informed person of the Corporation or any nominee for director, or any associate or affiliate of such persons, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

**Corporate Governance**

The Board believes that good corporate governance improves corporate performance and benefits all Shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

*Composition of the Board*

The Board is currently comprised of four (4) directors, three (3) of whom are independent for the purposes of NI 58-101. NI 58-101, when taken with section 1.4 of National Instrument 52-110 *Audit Committees* of the CSA, provides that a board member is "independent" if the member has no direct or indirect material relationship with the

Corporation, a "material relationship" being one which could, in the view of the Corporation's Board of Directors, reasonably interfere with the exercise of the members independent judgment. Based on the foregoing, PetroCorp has determined that Mr. Bernholtz, Mr. Wetsch and Mr. Beauclair are independent within the meaning of NI 58-101. Mr. Patriquin is not independent since Mr. Patriquin is the President and Chief Executive Officer. Pursuant to NI 58-101, the majority of the directors of the Corporation are independent.

#### *Board Committees*

Under the ABCA and the by-laws of the Corporation, the Board may appoint a committee of directors and delegate to such committee any of the powers of the directors, subject to the ABCA. The Board of Directors has formally appointed two (2) committees: the audit committee (the "**Audit Committee**") and the compensation and corporate governance committee (the "**Compensation and Corporate Governance Committee**"). Each committee has a mandate which the Corporation plans to review annually.

#### *Audit Committee*

#### **Audit Committee Charter**

In accordance with the National Instrument 52-110 *Audit Committees* ("**NI 52-110**"), the Audit Committee reviews the annual and interim financial statements of the Corporation and makes recommendations with respect to such statements. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of the internal accounting control procedures and systems within the Corporation. The Audit Committee is responsible to ensure that management has implemented an effective system of internal control and has oversight responsibility for management reporting on internal control.

The Audit Committee's mandate also includes reviewing press releases and the Corporation's MD&A and recommending the external auditors their compensation, overseeing their work and approving non-audit services. The Audit Committee has also established processes that allow employees to confidentially voice concerns regarding accounting issues. The audit committee has the authority to engagement independent counsel and advisors as it deems necessary to carry out its duties, to set and pay the compensation for any advisors employed by the audit committee, and to communicate directly with the internal and external auditors. The full text of the Audit Committee charter is attached as Schedule "A".

#### **Composition of Audit Committee**

The Audit Committee is comprised of four (4) directors, Larry Patriquin, Garry G. Wetsch, Martin Bernholtz and Hal Beauclair, of which Messrs. Bernholtz, Wetsch and Beauclair are independent and all members of the Audit Committee are financially literate within the meaning of NI 52-110. The Corporation is relying on the exemption set forth in section 6.1 of NI 52-110 from the requirement that all members of the Audit Committee be independent. The Audit Committee meets at least once per financial quarter to fulfill its mandate.

#### **Relevant Education and Experience**

The relevant education and experience of each Audit Committee member is outlined below:

#### *Martin Bernholtz, C.A.*

Mr. Bernholtz is employed as Vice President, Finance with Kerbel Group Inc., an integrated construction and land development company. In his capacity he is responsible for finance, accounting, personnel and residential management. He has been with Kerbel Group Inc. since 1987. Mr. Bernholtz also serves as a director of several residential and commercial condominium corporations and is currently a director and Chairman of the Audit Committee of Select Core Inc. and Covalon Technologies Ltd. Mr. Bernholtz graduated with a Bachelor's degree in business administration from York University in 1981. He became a Chartered Accountant in 1984.

*Larry Patriquin*

Mr. Patriquin has held over the last 25 years positions of president, director and owner of various enterprises involved in the oil and gas services industry, including Little Guy Oilfield Rentals Inc., and Den-Ray Rathole Drilling Ltd., where he has been involved in the preparation and use of budgets, financial reports and financial statements.

*Garry G. Wetsch, Q.C.*

Mr. Wetsch holds the position of corporate counsel with Landrex Inc., a land development company. Mr. Wetsch served in the role of Vice President of the community development division of Winalta and president of Winalta Homes. Mr. Wetsch received his LL.B. in 1972 from the University of Alberta, and Queen's Counsel appointment in 1990. Prior to joining Winalta, Mr. Wetsch was a Partner at the law firm of Hustwick Wetsch Moffat & McCrae.

*Hal Beauclair*

Mr. Beauclair is currently a member of APEGGA and an arbitrator registered and in good standing with the Alberta Arbitration and Mediation Society. Mr. Beauclair has been actively involved with the construction industry for 40 years in positions of increasing seniority, including planning and executing significant construction projects, estimates and proposal preparation, contract finalization and dispute resolution services. Mr. Beauclair has also been involved with preparing, budgeting and using financial reports.

**External Auditor Service Fees (By Category)**

The following table provides information about the fees billed to the Corporation, respectively, for professional services rendered by PricewaterhouseCoopers LLP, during the financial years ended March 31, 2012 and 2011.

	<b>2012</b>	<b>2011</b>
Audit fees <sup>(1)</sup>	\$ 19,865	\$ 25,778
Audit-related fees <sup>(2)</sup>	9,911	16,968
Tax fees <sup>(3)</sup>	7,408	21,248
All other fees <sup>(4)</sup>	-	-
Total: <sup>(5)</sup>	<u>\$ 37,184</u>	<u>\$ 63,994</u>

Notes:

- (1) Audit fees were for professional services rendered by the auditors for the audit of the Corporation's annual consolidated financial statements as well as services provided in connection with statutory and regulatory filings.
- (2) Audit-related fees are for services related to performance of limited procedures performed by the Corporation's auditors related to interim reports.
- (3) Tax fees are for tax compliance, tax advice and tax planning.
- (4) All other fees for services performed by the Corporation's auditors.
- (5) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on the Corporation's behalf.

**Compensation and Corporate Governance Committee**

The Compensation and Corporate Governance Committee is comprised of four (4) directors, three (3) of whom are independent. The Compensation and Corporate Governance Committee's mandate includes: (i) assisting the Board in its oversight role with respect to the Corporation's global human resources strategy, policies and programs; (ii) reviewing the makeup and needs of the Board of Directors and developing criteria for adding new directors to the board; (iii) assisting the Board with respect to the development of the Corporation's corporate governance policies, practices and processes; and (iii) evaluating and assessing the effectiveness of the board, its committees in meeting governance objectives and each individual's own contribution. These responsibilities include reporting and making recommendations to the Board of Directors for their consideration and approval. The Compensation and Corporate Governance Committee will meet at least annually to fulfill its mandate. The Compensation and Corporate Governance Committee is currently comprised of Messrs. Patriquin, Bernholtz, Wetsch and Beauclair, of whom all except Mr. Patriquin are independent directors.

### *Other Directorships*

Certain of the directors are also directors of other reporting issuers, as follows:

<b>Director</b>	<b>Other Reporting Issuer</b>
Larry Patriquin	Petrowest Corp. (TSX)
Martin Bernholtz	Covalon Technologies Ltd. (NEX) Titan Medical Devices Ltd. (NEX) Select Core Inc. (TSX)
Garry Wetsch	Petrowest Corp. (TSX)

### *Orientation and Continuing Education of Board Members*

The Corporation plans to provide new Board members with an orientation package which includes reports on operations and results, organizational structure, corporate policies and public disclosure filings by the Corporation. Management of the Corporation is available for discussion with all Board members. In addition, individual directors identify their continuing education needs through a variety of means, including discussions with management and at Board and Committee meetings.

### *Measures to Encourage Ethical Business Conduct*

The Board has adopted a written whistleblower policy, confidentiality policy, disclosure policy, code of conduct policy and a privacy policy (collectively referred to as the "**Codes of Conduct**"). All Board members, employees and contractors will be bound by the Codes of Conduct. The Board and management of the Corporation encourage and promote a culture of ethical business conduct through a combination of written policies and procedures and informal measures. Compliance with the Codes of Conduct will be monitored through regular meetings and interaction between those bound by the Codes of Conduct and an established complaints procedure regarding accounting and auditing matters.

The Board discourages transactions involving related parties. To the extent that such transactions arise, full disclosure is required in accordance with the provisions of the ABCA, the corporate statute governing the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA.

### *Nomination of Board Members*

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole.

To encourage an objective nomination process, the Board considers its size each year when it considers the number of directors to recommend to the Shareholders for election at the Annual General Meeting of Shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of view and experience.

### *Determination of Compensation of Directors and Officers*

The Board's mandate will include reviewing and approving appropriate practices for determining and establishing compensation for the directors of the Corporation to ensure it reflects the responsibilities and risks of being a director of a public company.

The Compensation and Corporate Governance Committee's mandate includes developing appropriate compensation policies for the senior management and directors of the Corporation, including the Corporation's Stock Option Plan, and evaluating senior management. These responsibilities include reporting and making recommendations to the Board of Directors for its consideration and approval.

### *Assessment of Directors, the Board and Board Committees*

The directors conduct an annual evaluation of the performance and effectiveness of each Board member and of the Board and each of its committees as a whole.



**ADDITIONAL INFORMATION**

Additional information relating to the Corporation, is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information regarding the Corporation is provided in the Corporation's audited financial statements and related management's discussion and analysis as at and for the year ended March 31, 2012 (collectively, the "**Annual Financial Statements and MD&A**"), which is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

Shareholders may contact the Corporation at 166, 14032 - 23<sup>rd</sup> Avenue, Edmonton, Alberta, T6R 3L6 (Telephone: (780) 910-9436 or (780) 499-7662) to request copies of the Corporation's Annual Financial Statements and MD&A.

**THIS IS SCHEDULE "A" ATTACHED TO AND MADE PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF PETROCORP GROUP INC. TO BE HELD ON DECEMBER 6, 2012.**

**PETROCORP GROUP INC.**

**Audit Committee Charter**

**OVERALL ROLE AND RESPONSIBILITY**

The audit committee (the "**Audit Committee**") of the board of directors (the "**Board**") of PetroCorp Group Inc. (the "**Corporation**") shall:

- (a) assist the Board in its oversight role with respect to:
  - (i) the quality and integrity of financial information;
  - (ii) the independent auditor's performance, qualifications and independence;
  - (iii) the performance of the Corporation's internal audit function, if applicable; and
  - (iv) the Corporation's compliance with legal and regulatory requirements and
- (b) prepare such reports of the Audit Committee required to be included in the proxy circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

**MEMBERSHIP AND MEETINGS**

The Audit Committee shall consist of three or more directors appointed by the Board, all of whom shall be independent and unrelated to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board in its business judgment.

**STRUCTURE AND OPERATIONS**

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

## **SPECIFIC DUTIES**

### **Oversight of the Independent Auditor**

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in the Corporation's annual proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every five years).

### **Financial Reporting**

- Review and discuss with management and the independent auditor:
  - prior to the annual audit the scope, planning and staffing of the annual audit,
  - the annual audited financial statements,
  - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,
  - approve any reports for inclusion in the Corporation's annual report, as required by applicable legislation,
  - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
  - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
  - any significant changes in the Corporation's selection or application of accounting principles,
  - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
  - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

### **AUDIT COMMITTEE'S ROLE**

The Audit Committee has the oversight role set out in this Charter. Management, the Board, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

### **FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS**

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Corporation.

### **APPROVAL OF AUDIT AND PERMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS**

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol. The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from the external auditor.

Following receipt and initial review for eligibility by the primary contact, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.