

---

**PETROCORP GROUP INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED MARCH 31, 2020**  
**DATED JULY 23, 2020**

---

---

**Disclosure Regarding Forward-Looking Statements**

This Management's Discussion and Analysis contains forward-looking statements that include risks and uncertainties that are disclosed under the section Risk Factors. Other factors that could affect actual results are uncertainties pertaining to government regulations, both domestic as well as foreign, and the changes within the capital markets. Other risks may be disclosed from time to time in PetroCorp Group Inc.'s public disclosures.

PetroCorp Group Inc.  
Management's Discussion and Analysis  
Table of Content

ITEM 1 -	Overview.....	1
ITEM 2 -	Selected Annual Information .....	3
ITEM 3 -	Results of Operations .....	4
ITEM 4 -	Summary of Quarter Results.....	4
ITEM 5 -	Liquidity.....	5
ITEM 6 -	Capital Resources.....	5
ITEM 7 -	Off-Balance Sheet Arrangements.....	5
ITEM 8 -	Transactions With Related Parties .....	5
ITEM 9 -	Proposed Transactions .....	6
ITEM 10 -	Risk Factors .....	6
ITEM 11 -	Critical Accounting Estimates.....	8
ITEM 12 -	Changes in Accounting Policies.....	8
ITEM 13 -	Financial Instruments and Other Instruments.....	8
ITEM 14 -	Capital Structure.....	8

Unless otherwise indicated, in this Management's Discussion and Analysis ("**MD&A**") all references to "**dollar**" or the use of the symbol "\$" are to the Canadian Dollar.

The preparation of the financial statements are in conformity with Canadian Generally Accepted Accounting Principles ("**CGAAP**") that have been revised to incorporate International Financial Reporting Standards ("**IFRS**") and requires management to make assumptions that affect the reported amounts of assets, liabilities and expenses in addition to the disclosure of contingent liabilities at the date of the financial statements and reporting amounts. PetroCorp Group Inc. (the "**Corporation**") bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ and will most likely differ from those estimates.

## **ITEM 1 - Overview**

On October 21, 2009, the Corporation signed an agreement to sell substantially all of the assets of the Corporation and its affiliates to Powell (as defined herein) for total cash consideration of up to \$33.5 million. On December 15, 2009, the shareholders of the Corporation approved the Transaction (as defined herein) which closed with an effective date of that same date. The Corporation entered into three (3) Asset Purchase Agreements (collectively the "**APAs**"), with three subsidiaries of Powell Industries Inc. (collectively, "**Powell**") of Houston, Texas. The APAs provided for the sale of substantially all of the Corporation's assets (the "**Transaction**"), including, but not limited to, the operating business units, trade names, inventory, leases, most liabilities, and personnel.

Powell acquired substantially all of the assets of the Corporation and its affiliates for cash consideration of up to \$33.5 million subject to adjustments, with \$19.6 million received by the Corporation upon closing, an additional \$5.9 million dollars paid by Powell into escrow to be released after specific time periods were met and conditions satisfied (\$2.5 million held in escrow payable upon the closing of the sale of the Corporation's interest in the PCKO JV, \$3.0 million held in escrow payable over a period of twenty-five months, and \$0.4 million held in escrow as security on credit cards during a transitional period), and up to \$8.0 million payable contingent on the operations of Powell achieving specified performance thresholds for the twelve months ending March 31, 2010. Powell also assumed certain liabilities of the Corporation including bank debt, accounts payable and obligations under capital leases of approximately \$26.4 million.

Subsequent to the year ended March 31, 2010, only specific adjustments settled as per the terms of the APAs were disclosed within discontinued operations. All other professional fees and ongoing costs, including those incurred as a direct or indirect result of settling the APAs were, and continue to be disclosed in the operating results of the Corporation.

On May 13, 2010, the Corporation entered into a stand-by purchase agreement (the "**Stand-By Agreement**") in connection with a rights offering (the "**Offering**") of Petrowest Energy Services Trust (the "**Trust**"). Pursuant to the Stand-By Agreement, the Corporation had agreed to purchase a minimum of \$1,500,000 of units of the Trust (the "**Units**") and up to a maximum of \$2,500,000 of Units. The Corporation was acting as part of a total stand-by commitment for \$7,500,000 of Units not otherwise subscribed for under the Offering. On June 29, 2010, the Offering closed, with the Corporation fully subscribing for its \$2,500,000 commitment, being a subscription for 17,857,143 Units.

Discussions regarding the potential for a transaction to combine the business of the Trust and the Corporation through a plan of arrangement or other similar transaction (a "**Follow-on Transaction**") ended without an agreement, and accordingly the Units were distributed to the Corporation's shareholders of record as at December 15, 2010, as a return of capital distribution.

In addition to the Units, and as consideration for participating in a Stand-By Purchase Agreement, the Corporation was issued 1,903,452 warrants in the Trust, allowing the Corporation to acquire one Unit for each warrant held. The warrants were exercisable at a price of \$0.1879 per warrant, with an expiry date at the end of business on June 29, 2011.

During the year ended March 31, 2012, the Corporation exercised all 1,903,452 warrants for an exercise price of \$357,659. The Corporation accounted for its investment in the Trust as an available-for-sale financial asset and was remeasured at fair value each reporting period. During the year ended March 31, 2013, the Corporation disposed of its investment in the Trust for \$723,407, for a net gain of \$356,748.

While it is unfortunate that the Follow-on Transaction did not take place between the Corporation and the Trust, it is positive to note that the investment itself was accretive for the shareholders of the Corporation. In summary, the invested funds have provided the following estimated total return up to March 31, 2013:

Units purchased as part of the Offering on May 13, 2010, and ultimately distributed to shareholders by way of return of capital on December 15, 2010:

Funds invested in the Offering	\$	2,500,000
Trust Units acquired		17,857,143
Subscription price (cost base)	\$	0.14
Trust (PRW) trading price as at March 31, 2013	\$	0.74
Value held by Corporation shareholders as at March 31, 2013	\$	13,214,285

Warrants in the Trust exercised on June 24, 2010, and disposed during the year ended March 31, 2013:

Funds invested	\$	357,659
Warrant exercise price (cost base)	\$	0.1879
Trust Units acquired		1,903,452
Disposal proceeds per Trust Unit	\$	0.38
Crystallized proceeds on disposal of Trust Units	\$	723,407

In summary, \$2,857,659 (\$0.04 per share) of the Corporation funds have been invested in the Trust: \$2,500,000 in the initial Offering, and \$357,659 on the exercise of warrants. Assuming shareholders have continued to hold Trust Units (later converted to a Corporation) as at the year ended March 31, 2013, there are total potential holdings of \$13,937,692 (\$0.19 per share), for a total combined realized and unrealized gain of \$11,080,033 (\$0.15 per share) as a result of the original investment.

#### Resolution of Powell Claim

During the year ended March 31, 2012, the Corporation received a claims notice and an indemnity notice from Powell, claiming a total of approximately \$8,500,000 in damages related to the APAs (the "**Powell Claim**"). After reviewing the Powell Claim, the Corporation filed a dispute notice, and an objection to the claims notice, in dispute of the entire amount of the Powell Claim. As part of the Powell Claim, Powell has issued a claim against the escrow funds of \$1,000,000. On July 11, 2011, a statement of claim was filed in relation to the Powell Claim, claiming damages of \$9,000,000. On August 17, 2011, the Corporation filed a statement of defense in dispute of the entire amount of the claim.

During the year ended March 31, 2013, the Corporation settled the Powell Claim for \$1,750,000. This claim was settled by the Corporation, by return of the \$1,000,000 in proceeds remaining in escrow, and a one-time payment of \$750,000 to the claimant. The Corporation received a full release of the Powell Claim, as well as any and all remaining terms, conditions and covenants of the APAs, with the exception of any Non-Competition Agreements which may still be in force. The Corporation does not and has not made any admission of liability relating to the lawsuit and has reached this settlement with Powell to avoid any further ongoing costs with respect to the Powell Claim and related APAs.

#### Return of Capital

During the fiscal year ending March 31, 2014, the Corporation returned to shareholders a total of \$5,388,083 via a capital distribution in two transactions; \$4,339,395 in May 2013 and \$1,048,688 in August 2013. Following these distributions, the Corporation does not anticipate making any further capital distribution relation to the APAs and will now focus on the identification of an operating business that it can acquire and or merge with. Until such time it is not anticipate that the Corporation will have any operating business.

Since the significant return of capital to shareholders, Management has been seeking to identify a new operating company to acquire or merge with in order to create wealth for shareholders.

Recapitalization

On April 9, 2015, the Company's common shares were halted from trading due to non-payment of exchange fees, as Management could not justify the cash disbursement until such time as it has identified a suitable project that would enhance shareholders' value, given that the volume being traded of the Corporation's common shares was extremely low.

On June 1, 2017, the Corporation voluntarily had its common shares delisted from trading on the TSX Venture Exchange (the "**Exchange**").

On December 1, 2017, the Corporation completed a non-brokered private placement of 491,803,275 common shares of the Corporation at a price of \$0.00061 per share for aggregate gross proceeds of \$300,000.

First Lithium

On January 8<sup>th</sup>, 2018, the Corporation announced that it had entered into a letter of intent (the "**LOI**") relating to the acquisition of First Lithium Minerals Inc. ("**First Lithium**"), a private corporation existing under the laws of the Province of Ontario (the "**Transaction**"). The Transaction will be effected through an exchange of securities with all of the security holders of First Lithium. The principal business carried on by First Lithium is the exploration and development of various lithium projects in Chile, including the Pintados Lithium Project.

The LOI contemplates the Corporation will acquire all of the issued securities of First Lithium. The intent of the parties being that all common shares of First Lithium prior to the closing of the Transaction will be exchanged for common shares of the Corporation on the basis of one PetroCorp share for each First Lithium share, following a consolidation of the common shares of the Corporation on a one (1) new common share for 82 old share basis (the "**Consolidation**"). First Lithium currently has 73,050,334 shares outstanding. The Company will issue 73,050,334 common shares to the shareholders of First Lithium, representing approximately 91.3% of the issued and outstanding common shares of the Company after completion of the Transaction and the Consolidation. The Company currently has 574,126,529 shares outstanding with no warrants or options outstanding. PetroCorp will change its corporate name to First Lithium Minerals Corp. and file a continuous from Alberta to Ontario.

To date, the Corporation advanced CA\$199,601 to First Lithium via a demand loan at 0% per annum as an unsecured demand loan.

First Lithium completed its 43-101 covering its mineral rights in Chile and is now working on its audit in order to complete a filing statement to complete the Transaction.

The deadline to complete this proposed transaction has been extended March 15, 2021.

**ITEM 2 - Selected Annual Information**

The following is selected annual information for the preceding three fiscal years:

March 31	2019	2018	2017
Net revenues	\$ nil	\$ nil	\$ nil
Net loss	44,726	48,258	34,040
Total assets	207,000	217,613	271,109
Long term liabilities	Nil	Nil	Nil
Loss per share	0.00	0.00	0.00
Cash dividends per share	0.00	0.00	0.00

For further audited financial information, please refer to the Corporation's audited financial statements that have been filed on SEDAR.

**ITEM 3 - Results of Operations**For the period ended March 31, 2020 versus March 31, 2019

For the year ended March 31, 2020, the Corporation had general and administrative expenditures of \$44,726 versus \$48,258 the year earlier, for a positive variance of \$3,532 or 7.31%. Management believes that the cost for the current year are in line with operating costs are for a reporting issuer in search of an operating business to acquire or merge with.

For the year ended March 31, 2020, the Corporation had an operating loss of \$44,726 versus \$48,258 the year earlier, for a positive variance of \$3,532 or 7.31%. Investors can anticipate this amount to be relatively consistent as Management seeks to finalize its acquisition of First Lithium.

The net loss for the period ended March 31, 2020 was \$44,726 for a loss per share of \$0.00 based on 574,126,529 weighted average common shares outstanding for the period versus \$48,258 for a loss per share of \$0.00 based on 574,126,529 weighted average common shares outstanding for the previous period.

For the year ended March 31, 2020, the Corporation advanced \$63,368 to First Lithium via an unsecured demand loan at 0% per annum. In 2019, the Corporation advanced \$136,233 to First Lithium via an unsecured demand loan at 0% per annum.

The Corporation's cash and cash equivalents balance as at March 31, 2020 was \$4,594 (2019 - \$62,878), with a working capital of \$39,990 (2019 - \$84,716), inclusive of the receivable from First Lithium which was \$199,601 as at March 31, 2020 (2019 - \$136,233).

**ITEM 4 - Summary of Quarter Results**

The following table sets forth, for each quarter ended on the date indicated since incorporation, information relating to the Corporation's revenue, net loss and loss per common share as prepared under Canadian GAAP.

	Revenues	Net income (loss)	Loss/share: basic and diluted
March 31, 2020	\$ ---	\$ (9,182)	\$ 0.00
December 31, 2019	---	(11,286)	0.00
September 30, 2019	---	(14,394)	0.00
June 30, 2019	---	(9,864)	0.00
March 31, 2019	---	(13,114)	0.00
December 31, 2018	---	(8,853)	0.00
September 30, 2018	---	(15,222)	0.00
June 30, 2018	---	(11,069)	0.00

For the three months ended March 31, 2020 versus March 31, 2019

For the three months ended March 31, 2020, the Corporation had general and administrative expenditures of \$9,182 versus \$13,114 the year earlier, for a positive variance of \$3,932 or 29.98%. These expenses include regulatory fees, legal accounting, premises, and management fees. Management believes that the costs are going to average between \$40-50,000 per year with some quarterly fluctuation until the Corporation has completed its acquisition of First Lithium, excluding costs related to the Transaction.

For the three months ended March 31, 2020, the Corporation had operating loss of \$9,182 versus \$13,114 the year earlier, for a positive variance of \$3,932 or 29.98%. Management is seeking to keep quarterly operating losses, excluding costs related to First Lithium, to average between \$10,000 to \$12,500 per quarter until the Corporation completes its acquisition of First Lithium, excluding costs related to the Transaction.

The net loss for the three months ended March 31, 2020 was \$9,182 for a loss per share of \$0.00 based on 574,126,529 weighted average shares outstanding for the period versus \$13,114 for loss per share of \$0.00 based on 574,126,529 weighted average shares outstanding for the previous period.

During the three months period ending March 31, 2020, the Corporation advanced \$nil to First Lithium versus \$633 the year earlier period.

#### **ITEM 5 - Liquidity**

As at March 31, 2020, the Corporation had a cash balance of \$4,594 (March 31, 2019 - \$62,878) with working capital of \$39,990 (March 31, 2019 - \$84,716) and a working capital deficit of \$159,611 (2019 - \$51,517) if one excludes the loan to First Lithium.

#### **ITEM 6 - Capital Resources**

On December 1, 2017, the Corporation completed a non-brokered private placement of 491,803,275 common shares of the Corporation at a price of \$0.00061 per share for aggregate gross proceeds of \$300,000 less issuance expenses of \$18,934. The use of proceeds was for general working capital.

In order to finance the future merger and /or acquisition of an operating business, the Corporation may seek to raise additional funds as well as subsequently until such time as cash flow from its potential acquisition is sufficient to fund internal growth, which is not currently anticipated to be in the short term. The timing and ability of the Corporation to fulfill this objective will depend on the liquidity of the financial markets as well as the willingness of investors to finance such a business. Such future financing may be completed by the issuance of the Corporation's securities as previously.

#### **ITEM 7 - Off-Balance Sheet Arrangements**

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably-likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

#### **ITEM 8 - Transactions With Related Parties**

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions occurring during the period as follows.

For the Period	2020	2019
Expenses		
Consulting and director fees	\$ 18,000	\$ 18,000
Premises	6,000	6,000
Included with accounts payable	140,818	116,038

**ITEM 9 - Proposed Transactions**

As of the date of this document, there is no proposed transaction that management of the Corporation believes would require the intervention or approval of the Board of Directors of the Corporation as well as the shareholders of the Corporation with the possible exception of the proposed transaction with First Lithium and the share consolidation.

**ITEM 10 - Risk Factors**

Investment in the Corporation must be considered highly speculative due to the nature of the Corporation's business, its formative stage of development, its current financial position and its lack of an earnings record. An investment in any securities of the Corporation should only be considered by those individuals who can afford a total loss of their investment. The following is a summary of the risk factors to be considered:

- While the Corporation has been incorporated for some time, it has recently gone through a restructuring in which it divested itself of its operations and is now seeking to identify and acquire or merge with an operating entity;
- investment in the common shares of the Corporation is highly speculative given the unknown nature of the Corporation's business and its present stage;
- directors and officers of the Corporation will only devote a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time;
- there can be no assurance that an active and liquid market for the Corporation's common shares will develop and an investor may find it difficult to resell its common shares;
- until identification and acquisition or merge with an operating entity, the Corporation is not anticipated to generate any cash flow to meet its ongoing operating costs;
- the Corporation has only limited funds with which to identify and evaluate potential targets and there can be no assurance that the Corporation will be able to identify a suitable target;
- even if a proposed target is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- completion of a target is subject to a number of conditions including acceptance by the Exchange and, in the case of a non-arm's length transaction, majority of the minority approval;
- unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed non-arm's length transaction for which majority of the minority approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of the fair value for the shareholder's common shares;
- upon public announcement of a proposed target, trading in the common shares of the Corporation may be halted and may remain halted for an indefinite period of time, typically until a Sponsor (as defined in the policies of the Exchange) has been retained and certain preliminary reviews have been conducted. The common shares of the Corporation will not be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed transaction;



- trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required;
- neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
- in the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business or assets as a proposed target, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada;
- the target may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution of share value which dilution may be significant and which may also result in a change of control of the Corporation; and
- *Governmental Regulation and Policy Risks:* failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.
- *Price Volatility of Publicly Traded Securities:* in recent years and especially in the recent months, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.
- *Issuance of Debt:* from time to time the Corporation may enter into transactions to acquire assets or shares of other corporations. These transactions may be financed partially or wholly through debt, which may increase debt levels above industry standards.
- *Dilution:* the Corporation's common shares, including incentive stock options, rights, warrants, special warrants, subscription receipts and other securities to purchase, to convert into or to exchange into common shares of the Corporation, may be created, issued, sold and delivered on such terms and conditions and at such times as the board of the Corporation may determine.
- *Net Asset Value:* the Corporation's net asset value will vary dependent upon a number of factors beyond the control of the Corporation's management, including commodity.
- *Reliance on Management:* Shareholders of the Corporation will be dependent on the management of the Corporation in respect of the administration and management of all matters relating to the Corporation and its properties and operations.
- *No Dividends:* while the Corporation has paid dividends recently, there is no expectations that the Corporation will pay any dividends in the near future.
- *Health Risks & Economic Conditions:* The Corporation's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Corporation cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Corporation, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant

outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Corporation's operations and ability to finance its operations.

**ITEM 11 - Critical Accounting Estimates**

The Corporation's financial statements are impacted by the accounting policies used, as well as the estimates and assumptions made by management during their preparation. The Corporation's accounting policies are described within the financial statements. The accounting estimates considered to be significant to the Corporation include the computations of convertible debentures, value of warrants issued, charitable stock option and share-based compensation expense and recovery of deferred income tax assets.

**ITEM 12 - Changes in Accounting Policies**

The Corporation would like to direct readers to its audited financial statements for the period ending March 31, 2020, which is incorporated by reference and can be found on the regulator's web site at [www.sedar.com](http://www.sedar.com).

**ITEM 13 - Financial Instruments and Other Instruments**

The Corporation is not a party to any financial instruments and other instruments as defined in item 1.14 of National Instrument 51-102F1 – Management's Discussion and Analysis.

**ITEM 14 - Capital Structure**

The Corporation is authorized to issue an unlimited number of common shares, where each common share provides the holder with one vote. As of the date of this MD&A, there were 574,126,529 common shares issued and outstanding.