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**HEMISPHERE GPS INC.**

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**NOTICE OF ANNUAL GENERAL MEETING**

**and**

**INFORMATION CIRCULAR – PROXY STATEMENT**

**WITH RESPECT TO THE**

**ANNUAL GENERAL MEETING OF  
SHAREHOLDERS**

**TO BE HELD MAY 29, 2012**

**HEMISPHERE GPS INC.**  
**NOTICE OF**  
**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE is hereby given that an Annual General Meeting (the "**Meeting**") of the shareholders of Hemisphere GPS Inc. (the "**Corporation**" or "**Hemisphere GPS**") will be held at the offices of Hemisphere GPS located at 4110-9th Street S.E., Calgary, Alberta T2G 3C4 on Tuesday, May 29, 2012 at 3:00p.m. (Calgary time) for the following purposes:

1. To receive and consider the financial statements of the Corporation, together with the report of the auditors thereon, for the year ended December 31, 2011;
2. To fix the number of directors to be elected at the Meeting at seven (7);
3. To elect seven (7) directors for the ensuing year;
4. To appoint auditors for the ensuing year and to authorize the Board of Directors 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 - Proxy Statement accompanying and forming part of this Notice.

The Board of Directors of the Corporation have fixed a record date for the purpose of determining the shareholders entitled to receive notice of and vote at the Meeting. Each person who is a holder of common shares of record at the close of business on April 20, 2012 (the "**Record Date**") will be entitled to notice of, and to attend and vote at, the Meeting except, to the extent that such a shareholder transfers the ownership of any of his/her shares after the Record Date and the transferee of those shares establishes that he/she owns such shares and demands, not later than ten days (10) before the Meeting, that his/her name be included in the list of shareholders entitled to vote at the Meeting, such transferee will be entitled to vote such shares at the Meeting.

**A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the enclosed Instrument of Proxy for use at the Meeting or any adjournment thereof. To be effective, the Instrument of Proxy must be received by the Corporation c/o Computershare Trust Company of Canada: (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or (ii) by hand delivery to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, not less than 48 hours (excluding Saturdays and holidays) before the time set for the holding of the Meeting or any adjournment thereof.**

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized. **The persons named in the enclosed Instrument of Proxy are officers and directors of the Corporation. Each shareholder has the right to appoint a person or persons, who need not be shareholders of the Corporation, other than the persons designated in the Instrument of Proxy furnished by the Corporation, to attend and act on such shareholder's behalf at the Meeting. To exercise such right, the names of management's nominees may be crossed out and the name(s) of the shareholder's nominee(s) legibly printed in the blank space provided.**

**In the event of a strike, lockout or other work stoppage involving postal employees, Instruments of Proxy should be delivered to Computershare Trust Company of Canada as registrar and transfer agent of Hemisphere GPS by either facsimile to 1-866-249-7775, hand delivery or courier.**

DATED at Calgary, Alberta, this 30<sup>th</sup> day of April, 2012

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "*Michael Lang*"  
Chairman of the Board

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## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular.

"**Board**" or "**Board of Directors**" means the board of directors of Hemisphere GPS as presently constituted;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday when banks are generally open for the transaction of banking business;

"**Common Shares**" means the common shares of Hemisphere GPS, as presently constituted;

"**Corporation**" or "**Hemisphere GPS**" means Hemisphere GPS Inc., a corporation incorporated pursuant to the laws of the Province of Alberta;

"**Director**" means a director of the Corporation;

"**Information Circular**" means this information circular – proxy statement dated April 30, 2012 in respect of the Meeting;

"**Meeting**" means the annual general meeting of the shareholders of Hemisphere GPS to be held on May 29, 2012;

"**Record Date**" means the record date for the Meeting, being April 20, 2012;

"**Share Option Plan**" or the "**Plan**" means the share option plan of the Corporation, as amended; and

"**TSX**" means the Toronto Stock Exchange.

**HEMISPHERE GPS INC.****INFORMATION CIRCULAR - PROXY STATEMENT  
dated April 30, 2012****Annual General Meeting of Shareholders  
to be held on May 29, 2012****PART I - INTRODUCTION**

**This Information Circular - Proxy Statement (the "Information Circular") is furnished in connection with the solicitation of proxies by the management of Hemisphere GPS Inc. (the "Corporation" or "Hemisphere GPS") for use at the Annual General Meeting of Shareholders of the Corporation (the "Meeting") to be held at the offices of Hemisphere GPS located at 4110-9th Street S.E., Calgary, Alberta T2G 3C4 on Tuesday, May 29, 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.**

Unless otherwise stated, the information contained in this Information Circular is given as at April 27, 2012.

No person has been authorized by Hemisphere GPS to give any information or make any representations in connection with the transactions herein described other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by Hemisphere GPS.

**PART II - GENERAL PROXY INFORMATION****Solicitation of Proxies**

The Board of Directors has fixed the record date for the Meeting at the close of business on April 20, 2012 (the "**Record Date**"). Only holders of 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.

**Appointment of Proxies**

A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the enclosed Instrument of Proxy for use at the Meeting or any adjournment thereof. To be effective, the Instrument of Proxy must be received by the Corporation c/o **Computershare Trust Company of Canada**: (i) by mail using the enclosed return envelope or one addressed to **Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1**; or (ii) by hand delivery to **Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1**, not less than 48 hours (excluding Saturdays and holidays) before the time set for the holding of 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, 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 enclosed Instrument of Proxy are officers and Directors of the Corporation. Each shareholder has the right to appoint a person or persons, who need not be shareholders of the Corporation, other than the persons designated in the Instrument of Proxy furnished by the Corporation, to attend and act on such shareholder's behalf at the Meeting. To exercise such right, the names of management's nominees may 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.

In the event of a strike, lockout or other work stoppage involving postal employees, Instruments of Proxy should be delivered to Computershare Trust Company of Canada as registrar and transfer agent of Hemisphere GPS by either facsimile to 1-866-249-7775, hand delivery or courier.

#### **Revocability of Proxy**

An Instrument of Proxy may be revoked at any time prior to the exercise thereof. If a person who has given an Instrument of Proxy attends personally at the Meeting at which such Instrument of Proxy is to be voted, such person may revoke the Instrument of Proxy and vote in person. In addition to revocation in any other manner permitted by law, a shareholder may revoke an Instrument of Proxy by depositing an instrument in writing executed by the shareholder or by its attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited at the registered office of the Corporation, 4110 - 9<sup>th</sup> Street S.E., Calgary, Alberta, T2G 3C4, at any time up to and including 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 Instrument of 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 Instrument of Proxy, 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, Instruments of Proxy 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**

The Common Shares represented by the Instrument of Proxy furnished by the Corporation, where the shareholder specifies a choice with respect to any matter to be acted upon, will be voted or withheld from voting on any ballot in accordance with the specification so made. **In the absence of such specification, such Common Shares will be voted in favour of the matters described in the Notice of Annual General Meeting of Shareholders. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred discretionary authority with respect to amendments or variations of those matters specified in the Instrument of 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, management of the Corporation knows of no such amendment, variation or other matter.**

## **Advice to Beneficial Holders of Securities**

The information set forth in this section is of significant importance to many public shareholders of Hemisphere GPS, as a substantial number of the public shareholders of Hemisphere GPS do not hold 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 proxies deposited by shareholders whose names appear on the records of Hemisphere GPS as the registered holders of Common Shares can be recognized and acted upon 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 Common Shares will not be registered in the shareholder's name on the records of Hemisphere GPS. Such Common 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 Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting Common Shares for their clients. The Directors and officers of Hemisphere GPS do not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholders how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). **If you receive a voting instruction form from Broadridge or another intermediary it cannot be used as a proxy to vote Common Shares directly at the Meeting as the proxy must be returned (or otherwise reported as provided in the voting instruction form) as described in the voting instruction form well in advance of the Meeting in order to have the Common Shares voted.**

## **PART III - MATTERS TO BE ACTED UPON AT THE MEETING**

### **Receipt of the Financial Statements and Auditors' Report**

At the Meeting, shareholders will receive and consider the financial statements of the Corporation for the year ended December 31, 2011 and the Auditors' Report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

### **Majority Voting for Directors**

The Board has adopted a policy stipulating that if the "WITHHOLD" votes in respect of the election of a Director nominee at the Meeting represent more than the "FOR" votes, the nominee will submit his resignation within 90 days of the Meeting, for the Board's consideration. The Board will consider such resignation and after reviewing the matter will determine, having regard to all matters it deems relevant, whether to accept such resignation or not. The Board's decision to accept or reject the resignation will be disclosed to the public within 90 days of the Meeting. The nominee will not participate in any Board deliberations on the resignation. The policy does not apply in circumstances involving contested Director elections.

### **Fix the Number of Directors to be Elected at the Meeting**

The Articles of the Corporation specify that the Board of Directors shall consist of a minimum of three and a maximum of eleven Directors. At the Meeting, it is proposed that the number of Directors of the Corporation to be elected at the Meeting be set at seven (7), as may be adjusted between shareholders' meetings by way of resolution of the Board. Accordingly, unless otherwise directed, it is the intention of Management to vote Instrument of Proxy in the accompanying form in favour of fixing the number of Directors of the Corporation to be elected at the Meeting at seven (7).

## Election of Directors

At the Meeting, shareholders will be asked to vote "FOR" or "WITHHOLD" on the proposed Directors set forth below to hold office until the next annual meeting or until their successors are elected or appointed

Unless otherwise directed, it is the intention of management to vote Instruments of Proxy in the accompanying form in favour of electing as Directors the seven (7) nominees hereinafter set forth:

Mark W. Anderson	Barry D. Batcheller
Paul G. Cataford	Richard W. Heiniger
Steven L. Koles	Michael J. Lang
John M. Tye III	

The names, province and country of residence of the persons nominated for election as Directors, the number of Common Shares beneficially owned or controlled or directed, directly or indirectly, the offices held by each in the Corporation, the period served as Director and the principal occupation of each are as follows:

<b>Name, Province/State and Country of Residence and Position with the Corporation</b>	<b>Principal Occupation During the Last Five Years</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly</b>
Michael J. Lang <sup>(1)</sup> Alberta, Canada Non-Executive Chairman and Director	Chairman of StoneBridge Merchant Capital Corp. (a private investment company).	1996	534,505 <sup>(4)</sup> (0.81%)
Paul G. Cataford <sup>(1)(3)</sup> Alberta, Canada Director and Chairman of the Audit Committee	President and CEO of Zephyr Sleep Technologies Inc. since September 2010. Prior thereto, President and CEO of University Technologies International Inc. from April 2004 until April 2009.	2004	3,000 <sup>(5)</sup> (0.00%)
Richard W. Heiniger Missouri, USA Director and Vice Chairman	CEO of RHS, Inc. (a private manufacturer of farm equipment). Also, formerly President of Hemisphere GPS LLC (formerly Satloc LLC) from April 2005 to May 2006.	2005	4,355,028 <sup>(6)</sup> (6.57%)
John M. Tye III <sup>(1)(3)</sup> Texas, USA Director and Chairman of the Corporate Governance Committee	Chairman of Bigham Brothers Inc. (a private manufacturer of farm equipment).	2006	140,800 <sup>(7)</sup> (0.21%)
Barry D. Batcheller <sup>(2)</sup> North Dakota, USA Director and Chairman of the Compensation Committee <sup>(11)</sup>	President and CEO of Appareo Systems (a private manufacturer of augmented reality systems) since 2005.	2006	15,001 <sup>(8)</sup> (0.02%)
Mark W. Anderson Pennsylvania, USA, Director	President and CEO of GVM, Inc. (a private manufacturer of self-propelled spreaders and sprayers and related equipment) since 1989.	2012	5,482,410 <sup>(9)</sup> (8.27%)



Name, Province/State and Country of Residence and Position with the Corporation	Principal Occupation During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly
Steven L. Koles Alberta, Canada President, Chief Executive Officer and a Director	President and CEO of Hemisphere GPS since September 8, 2006. Prior thereto General Manager at AOL Canada from 2003 to 2006.	2007	156,051 <sup>(10)</sup> (0.24%)

## Notes:

- (1) Member of the Corporation's Audit Committee.
- (2) Member of the Corporation's Compensation Committee
- (3) Member of the Corporation's Corporate Governance Committee
- (4) Excludes share options to purchase an aggregate of 75,000 Common Shares at prices ranging from \$0.62 to \$3.11 per Common Share.
- (5) Excludes share options to purchase an aggregate of 75,000 Common Shares at prices ranging from \$0.62 to \$3.11 per Common Share.
- (6) 3,315,028 Common Shares are registered to RHS, Inc., a company controlled by Mr. Heiniger and 200,000 common shares are registered in the name of Mr. Heiniger's spouse. The total number of Common Shares excludes share options to purchase an aggregate of 75,000 Common Shares at prices ranging from \$0.62 to \$3.11 per Common Share.
- (7) Excludes share options to purchase an aggregate of 75,000 Common Shares at prices ranging from \$0.62 to \$3.11 per Common Share.
- (8) Excludes share options to purchase an aggregate of 75,000 Common Shares at prices ranging from \$0.62 to \$3.11 per Common Share.
- (9) 5,447,410 Common Shares are registered to GVM, Inc., a company controlled by Mr. Anderson.
- (10) Excludes share options to purchase an aggregate of 890,000 Common Shares at prices ranging from \$0.62 to \$3.11 per Common Share.
- (11) Mr. Batcheller will assume the position of Chairman of the Compensation Committee upon the retirement of Mr. Howard W Yenke effective as of the date of the annual general meeting.
- (12) All of the Corporation's directors have been appointed to hold office until the next annual general meeting of shareholders or until their successor is duly elected or appointed in accordance with the *Business Corporations Act* (Alberta), unless their office is earlier vacated.

The information as to principal occupation and as to Common Shares beneficially owned or controlled or directed, directly or indirectly, is based upon information provided by the nominees as of April 27, 2012. Each of the above nominees are currently Directors of the Corporation and were elected at the last annual general meeting of shareholders.

As at April 27, 2012, the Directors and executive officers of the Corporation, as a group, beneficially owned or controlled or directed, directly or indirectly, an aggregate of 10,923,102 Common Shares, being approximately 16.48% of the outstanding Common Shares.

Howard W. Yenke, who has served on the Board of Directors since 1996, has advised the Board of Directors of his intention to resign for personal reasons effective as of the date of the annual general meeting. Mr. Yenke's position as Chairman of the Compensation Committee will be assumed by Mr. Batcheller.

Other than as disclosed below, no proposed Director is as at the date hereof, or has been, within 10 years of the date hereof, a director, chief financial officer or chief executive officer of any company, including the Corporation, that:

- (a) while the proposed Director was acting in such capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that occurred while the proposed Director was acting in such capacity which resulted, after the proposed Director ceased to be a director, chief financial officer or chief executive officer, in the company being the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,
- (c) while the proposed Director was acting in that capacity or within a year of that person 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; or

- (d) has, within the 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 the proposed Director.

Steven L. Koles was previously an officer of GT Group Telecom Inc. In March 2002, Mr. Koles resigned from his position with that company. GT Group Telecom Inc. filed for CCAA protection prior to the end of 2002. GT Group Telecom Inc. later merged with 360 Networks Inc.

In addition, no proposed Director of the Corporation has been subject to: (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed Director.

### **Appointment of Auditors**

The persons named in the Instrument of Proxy furnished by the Corporation intend, unless otherwise directed, to vote in favour of an ordinary resolution to reappoint the firm of KPMG, LLP, Chartered Accountants, to serve as auditors of the Corporation to hold office until the next annual general meeting of shareholders and to authorize the Board to fix their remuneration. KPMG, LLP, Chartered Accountants, were originally appointed as auditors of the Corporation on January 1, 1996.

The Audit Committee reviews the annual audit fees and considers the issue of auditor independence in the context of all services provided to the Corporation.

Certain information regarding Hemisphere GPS' Audit Committee, including the fees paid to Hemisphere GPS' auditors in the last fiscal year, that is required to be disclosed in accordance with National Instrument 52-110 of the Canadian Securities Administrators, is contained in Hemisphere GPS' annual information form for the year ended December 31, 2011, an electronic copy of which is available on the internet on Hemisphere GPS' SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **PART IV - INFORMATION CONCERNING THE CORPORATION**

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The authorized share capital of the Corporation consists of an unlimited number of Common Shares, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series. As at April 27, 2012, there were 66,280,777 Common Shares issued and outstanding and no first or second preferred shares issued and outstanding. Two persons present in person and holding or representing not less than five (5%) percent of the Common Shares entitled to vote thereat will constitute a quorum at the Meeting.

The holders of Common Shares are entitled to receive notice of all shareholders meetings (other than meetings of a class or series of shares of the Corporation other than the Common Shares) and to one (1) vote thereat for each Common Share held. The holders of the Common Shares are entitled to receive any dividends declared by the Board of Directors on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of the Corporation ranking in priority to the Common Shares, and in respect of return of capital, the holders of Common Shares are entitled to share pro rata together with the holders of any other classes of shares ranking equally with the Common Shares in such assets of the Corporation as are available for distribution.

To the knowledge of the Directors and senior officers of the Corporation, no person beneficially owns or controls or directs, directly or indirectly, voting securities carrying more than ten (10%) percent of the voting rights attached to any class of voting securities of the Corporation as at the date hereof.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Overview*

The ultimate goal of our compensation program for the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and the three most highly compensated executive officers (or the three most highly compensated individuals acting in a similar capacity), other than the CEO and CFO, at the end of the year ended December 31, 2011 whose total compensation was more than \$150,000 (each a "Named Executive Officer" or "NEO" and collectively, the "Named Executive Officers" or "NEOs"), and for all Hemisphere GPS employees, is to foster profitable growth and to create long-term value for shareholders. We believe that the ability, performance, commitment and retention of our executives are essential leadership factors that drive shareholder value. We have designed and implemented a pay-for-performance compensation program that rewards corporate and individual performance and the creation of shareholder value. We believe that the program motivates strong performance, aligns the interests of our NEOs and employees with those of our shareholders, and supports our attraction and retention goals.

Our Compensation Committee is composed of two independent, non-employee Directors, Howard Yenke (Chairman) and Barry Batcheller, and is responsible to discharge the Board of Directors' responsibilities with respect to compensation for our Named Executive Officers, as well as to provide general oversight of our global compensation program. The Compensation Committee has formal terms of reference that have been included as Schedule D and describe the responsibilities and operation of the Committee. Under the terms of reference, the Compensation Committee has the authority to retain outside advisors as it determines appropriate to assist it in the performance of its functions. No such advisors were engaged by the Committee during 2011 or 2010.

The members of the Compensation Committee are each highly experienced executives, directors and/or businessmen who have dealt with numerous compensation issues in the course of their leadership roles. The skills and experience that enable the members of the Compensation Committee to make decisions on the suitability of the Corporation's compensation policies and practices and the independence of each member is as follows:

- Leadership roles as Chief Executive Officers, and other senior roles, providing experience and skills in managing human resources and compensation programs;
- Experience as leaders and managers in a range of organizations from small start-up entities, to multinational organizations.

The purpose of this compensation discussion and analysis is to summarize our compensation objectives, the elements of our compensation program, our compensation decision-making process, and the factors that we considered in making decisions about executive compensation for the fiscal year 2011.

#### *Compensation Objectives*

##### *Performance*

Key elements of the compensation program are designed to reward strong corporate and individual performance including:

- Base salaries are determined on a competitive basis depending on the executive's experience, scope of responsibilities, demonstrated leadership abilities, and effectiveness;

- Incentive plan payments are based upon performance against pre-determined corporate and individual performance objectives. Corporate performance is measured by profitability relative to the budgeted net income for the year. For business segment leaders, corporate performance is also measured based on the performance of the business segment. Individual performance objectives relate to specific operational targets and personal development objectives; and
- Equity incentive compensation is comprised of share options and the partial matching of purchases of Hemisphere GPS Common Shares by the NEOs under our employee share purchase program. The ultimate value of equity incentive compensation is dependent on the performance of our share price after the date of the grant. Both equity incentive compensation programs are subject to vesting schedules that require continued service with us. See further discussion below under the heading "Attraction and Retention".

#### *Alignment of Management Objectives with that of Shareholders*

We seek to align the interests of the NEOs, and other executives and key employees, with those of our shareholders. Key elements of compensation that align the interests of our NEOs and other executives with shareholders include:

- Our incentive plan, described below, that compensates executives for the achievement of key corporate and individual goals that we believe correlate with improving shareholder value; and
- Equity incentive compensation in the form of share options and stock ownership, under which the ultimate value of the compensation is based on stock price appreciation subsequent to the date of particular grant.

#### *Attraction and Retention*

Hemisphere GPS has implemented a compensation program that we believe is competitive in order to attract and retain high quality executives and other employees.

Base salaries are established at competitive levels as determined by competitive benchmarking. In addition, our benefits and other elements of our overall compensation program are designed with the objective to be comparatively appealing.

Executives (and certain key employees) receive share options and all employees are eligible for stock grants under the employee share purchase plan. Share options are granted with a four-year, month-by-month vesting schedule. Corporation-matched purchases of stock under the employee share purchase plan vest one year after the employee's purchase of stock. Both of these programs support our retention objective by requiring the employee to remain employed by the Corporation to realize the additional potential compensation.

## ***Risks***

In establishing the compensation program, the Compensation Committee considered the implications of the risks associated with our program, including:

- The risk of executives taking inappropriate or excessive risks.
- The risk of inappropriate focus on achieving short-term goals at the expense of long-term return to shareholders.
- The risk of encouraging aggressive accounting practices.
- The risk of excessive focus on financial returns and operational goals at the expense of regulatory, environmental and health and safety compliance.

While no program can fully eliminate risks, the Compensation Committee believes that risks are mitigated by:

- Weighting long-term incentives towards equity-based incentives.
- Avoiding narrowly focused performance goals and retaining adequate discretion to ensure that the Board and management retain their business judgment in assessing actual performance.
- Establishing a strong "tone at the top" for accounting, regulatory, environmental and health and safety compliance.

The Corporation does not have any written policies which prohibit a NEO or director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

## ***Compensation Elements***

The compensation of the NEO's consists of the following primary elements:

- Base salary
- Fringe benefits
- Incentive plan
- Equity incentives
- Retirement savings assistance

### ***Base Salary***

Base salaries are designed to be competitive in order to attract and retain high calibre talent. The base salary for our NEOs is determined based upon an evaluation of the scope of their responsibilities, performance, experience and education and competitive benchmarking for similar positions. Corporation-wide base salary levels are reviewed annually by the Compensation Committee who approve ranges for base salary adjustments based upon consideration of corporate performance, cost of living changes, industry and market-performance data, and competitive compensation information received from compensation consulting firms (including Culpepper and Associates) and professional organizations. The adjustment to base salaries of NEOs will take into account these approved ranges, the performance of the NEO and changes in the NEOs responsibilities that may have taken place.

The base salaries of the NEOs for fiscal 2011 are discussed below and are summarized in the Summary Compensation Table on page 20.

### ***Fringe benefits***

We provide our NEOs, and all employees, with fringe benefits that we believe are appealing to employees to enhance attraction and retention. The primary fringe benefits provided include:

- Medical and dental insurance coverage;
- Life insurance of \$50,000, plus \$10,000 for spouse and \$5,000 for each child;
- Short term and long-term disability insurance (premiums paid by NEOs/employees);

- Employee assistance plan;
- Continuing education assistance;
- Fitness/wellness membership reimbursements of \$300 per year; and
- Paid vacations and holidays.

NEOs who reside in Canada are responsible to pay 30% of the cost of medical and dental insurance coverage costs and those who reside in the United States are responsible to pay for the incremental costs of their selected medical and dental insurance plan in excess of \$525 per month.

#### *Incentive Plan*

The incentive plan (the "**Incentive Plan**") is the element of compensation that rewards executives and employees (excluding commissioned salespeople) based upon the achievement of corporate financial profitability goals and based upon individual performance relative to objectives.

The Incentive Plan payout for each eligible NEO (and all eligible employees) is determined based upon the following formula:

$$\text{Incentive Payment} = \frac{\text{Corporate Performance}}{\text{Factor}} \times \frac{\text{Individual Performance}}{\text{Factor}} \times \text{Target Incentive Rate}$$

#### *Corporate Performance Factor*

For 2011, the Incentive Plan is payable based upon the level of actual profitability achieved within a range determined relative to the budgeted level of profit. For this purpose, profitability is measured as net income, calculated in accordance with International Financial Reporting Standards ("**IFRS**"), before incentive payments expense ("**NIBIP**"). The range was set as follows:

- *Low* – at the lower boundary of the range, the Corporate Performance Factor is zero and incentive payments begin to accrue as NIBIP increases from that point;
- *Mid-Point* – at the mid-point NIBIP, the Corporate Performance Factor is equal to 0.50;
- *Target* – at target NIBIP, which is a defined level in excess of budgeted NIBIP, the Corporate Performance Factor is equal to 1.0; and
- Above target, incentives continue to accrue on a pro-rata basis.

The Compensation Committee reserves the right to adjust profitability to normalize it for unusual items that impact profits but which are out of the control of management.

For business segment leaders, the Corporate Performance Factor is determined on a weighted average basis, with 30% determined based upon consolidated NIBIP and 70% determined based on direct business segment performance, with one-third weighting from each of business segment revenues, margins and profitability.

#### *Individual Performance Factor*

Together with their direct manager, each of the NEOs (and all eligible employees) set individual objectives, cascaded from our strategic objectives, through our Performance Management Process ("**PMP**"). The CEO establishes our strategic objectives, and his individual objectives, with the Board of Directors coordinated by the Compensation Committee. At year end, the individual performance of each of the NEOs (and all eligible employees) is rated based upon performance relative to their individual objectives, and Individual Performance Factors are established using the following:

- Exceeded objectives 1.5
- Fully met objectives 1.0
- Partially met objectives 0.5
- Did not meet objectives 0.0

### *Target Incentive Rate*

A Target Incentive Rate has been established for various employee levels in the Corporation based upon competitive benchmarking analysis. The NEO target incentive rates are as follows:

- President and Chief Executive Officer 67%
- Senior Vice Presidents and Vice Presidents 30% - 40%
- All other eligible employees 5% - 20%

We have structured the Incentive Plan in this manner as we believe that profitable growth, together with strong performance of our employees relative to individual objectives, will correlate with improving shareholder value.

Incentive Plan payments are paid annually in February once the audit of our financial results is complete.

Corporate performance targets and individual objectives are determined near the start of each fiscal year based upon our board-approved strategic plan and budget for that year. The Compensation Committee receives and considers the input of Management in regard to setting the corporate performance targets and determining whether changes in the structure of the Incentive Plan are required.

From time to time, the Compensation Committee has also awarded discretionary cash bonuses based upon its assessment of an executive's performance and contributions, and may do so in the future.

The incentive compensation awarded to the NEOs in fiscal 2011 is discussed below and is summarized in the Summary Compensation Table on page 20.

### *Equity Incentive Compensation*

The Compensation Committee has been authorized by the Board of Directors to administer our equity incentive compensation programs, which are comprised of the Share Option Plan and the Employee Share Purchase Plan.

#### *Share Option Plan*

Annual share option awards are made to the NEOs, and to other executives and key employees. Share option grants may also occur in other circumstances such as new hires, employee promotions, key employee retention efforts, and acquisition transactions as may be approved by the Compensation Committee. Share options are awarded to reward demonstrated performance and leadership, to motivate future performance, to align the interests of the NEOs, and other executives and employees with those of our shareholders, and to support the retention of the executives and key employees through the term of the awards.

The Share Option Plan permits the granting of share options to purchase Common Shares to our officers, Directors, key employees and key consultants. The Plan has a rolling maximum/evergreen limit for the issuance of share options up to, but not in excess of 10% of outstanding Common Shares. At December 31, 2011, there were 60,824,409 Common Shares outstanding, providing a share option limit of 6,082,440 share options of which 4,844,085 share options were outstanding representing 7.96% of the outstanding number of Common Shares. As of April 27, 2012, there were share options to purchase 4,633,538 Common Shares outstanding under the Plan (or approximately 7.0% of the 66,280,777 Common Shares outstanding as at such date).

The key features of the Plan are as follows:

- Directors, officers, employees and consultants, or those of subsidiaries, are eligible to receive share options under the Plan;
- the aggregate number of Common Shares reserved for issuance to any one person under the Plan, together with all other share compensation arrangements of the Corporation, must not exceed 5% of the then outstanding Common Shares (calculated on a non-diluted basis);
- the number of Common Shares together with all of the Corporation's other previously established or proposed share compensation arrangements issued to insiders within any one year period will not exceed 10% of the outstanding Common Shares;
- the aggregate number of Common Shares reserved for issuance to insiders at any time, under all security based compensation arrangements, must not exceed 10% of the outstanding Common Shares;
- any share options granted pursuant to the Plan shall be non-assignable;
- the vesting arrangements are within the discretion of the Board;
- the exercise price for share options is equal to the closing price of the Common Shares on the TSX on the trading day immediately preceding the date of grant;
- the term of share option grants are within the discretion of the Board, but cannot be longer than 10 years;
- the Plan provides for the automatic extension of the exercise period of a share option that would expire during a blackout period for a maximum of 10 days following the end of such blackout period; and
- share options terminate within a period of time following an optionholder ceasing to be at least one of an employee, Director, officer or consultant of the Corporation or of a subsidiary of the Corporation. However, in the event of death, share options will expire at the earlier of the end of the original share option period or 12 months after the date of death.

The Plan requires shareholder approval for the following amendments:

- to increase the percentage of Common Shares issuable on exercise of outstanding share options at any time;
- to change the manner of determining the minimum exercise price;
- to reduce the exercise price of any outstanding share options held by insiders;
- subject to Section 8 of the Plan, to extend the term of any outstanding share option held by insiders beyond the original expiry date of such share option;
- to make any change to eligible participants which would have the effect of broadening or increasing insider participation;
- to increase the maximum limit on the number of securities that may be issued to insiders;
- to permit an optionee to transfer or assign share options to a new beneficial optionee other than in the case of death of the optionee; or
- to amend the amendment or discontinuance provisions of the Plan.



The Compensation Committee, subject to the prior approval of the Board of Directors, may approve amendments relating to the Plan without further approval of the shareholders, to the extent that such amendments relate to, without limitation:

- altering, extending or accelerating the terms and conditions of vesting of any share options;
- extending the term of share options held by a person other than a person who, at the time of the extension, is an insider, provided that the term does not extend beyond ten years from the date of grant;
- reducing the exercise price of share options held by a person other than a person who, at the time of the repricing, is an insider;
- accelerating the expiry date in respect of share options;
- adding a cashless exercise feature to the Plan;
- determining the adjustment provisions pursuant to Section 10(a) of the Plan;
- amending the definitions contained within the Plan;
- amending or modifying the mechanics of exercise of share options; or
- amendments of a "housekeeping" nature.

Share options granted during 2011 have a four year vesting period and expire after five years. Share options are granted in accordance with a policy approved by the Board of Directors and provide for pricing at the closing price of our Common Shares on the day that is a specified number of days following the specific date of approval with respect to such share options. The share option agreements include provisions for the acceleration of vesting upon the permanent disability or death of the option holder and upon a change in control. In addition, they provide that options expire thirty days after the last day of employment or engagement with the Corporation.

Share options only generate value for NEOs (and other executives/employees) to the extent the price of our Common Shares on the date of exercise exceed the exercise price, and thus only provide additional compensation if the share price grows over the term of the award. For this reason we believe that share options are a motivational tool encouraging the NEOs (and other executives/employees) to undertake actions to grow shareholder value.

#### *Employee Share Purchase Program*

In April 2008, we implemented an Employee Share Purchase Program to encourage NEOs, executives and employees to purchase and hold our Common Shares. Under this program, we will match 50% of purchases of Common Shares by employees under the program to a maximum of 2% of the employees' salary. The matching Common Shares are purchased by us at the time of employee purchases and are placed in trust. These purchases vest with the employee one year after the executive/employees' purchase date.

The objectives of the Employee Share Purchase Program are:

- to encourage share ownership, which aligns executive/employee interests with those of our shareholders;
- to help retain high quality executives/employees through the vesting feature; and
- to provide additional compensation as an element of a competitive compensation package.

Grants under the Share Option Plan and the Employee Share Purchase Program are discussed below and are shown in the Summary Compensation Table on page 20.

### *Retirement Savings Assistance*

In order to encourage retirement savings, we have implemented programs to assist employees with retirement savings. In Canada, this program is accomplished through an RRSP-matching plan, in the United States this program is accomplished through a 401K plan, and in Australia this is accomplished through mandated superannuation contributions. We believe that this element of the compensation program contributes to make our overall program more competitive in the marketplace and supports the attraction and retention of high quality executives and employees.

Under the programs, in Canada and the United States, we will fully match savings made by employees up to 4% of base salary and incentive plan payments. In Australia, the legislated superannuation contributions are 9% of base salary and incentive plan payments.

Under certain circumstances, we may suspend matching contributions under the Employee Share Purchase Program and the Canadian and United States retirement savings programs. For example, in 2010, in light of lower revenues associated with recessionary conditions, matching contributions were suspended from October 1 to December 31. Matching contributions were resumed effective January 1, 2011.

### *Compensation Determination Process*

In developing our compensation program, Management and the Compensation Committee have considered a variety of inputs in attempting to achieve competitive compensation packages that provide an appropriate balance between shorter-term cash compensation and longer-term equity compensation, and to properly reflect the performance and level of responsibility of the NEOs and other executive officers. In establishing the compensation for the NEOs, certain factors that have been considered include, but are not limited to, the following:

- the NEO's current total compensation;
- the NEO's individual performance;
- the qualifications of the NEO and potential for development and performance in the future;
- the strategic and operational responsibilities for which the NEO has responsibility;
- compensation levels of comparable positions at companies in our broad public technology industry category;
- cost of living changes, industry and market-performance data, and competitive compensation information received from consulting firms, including Radford Consulting and Culpepper and Associates, as well as professional organizations; and
- compensation of each of the NEOs relative to that of our other executive officers.

### *Base Salary*

In 2006, we engaged the Hay Group, a global consulting firm, to assist us with an evaluation of our organizational structure, a detailed evaluation of all positions in the Corporation, and the creation of a detailed job banding structure that provides for appropriate placement and potential career progressions for employees. Every position in the Corporation was placed within the defined job bands based on Hay Groups' job evaluation methodology, which according to the Hay Group is used by over half of the Fortune 500 companies. Competitive salary ranges were then established for each job band based upon data received from technology-specific compensation consulting group Culpepper and Associates. Where available and appropriate, we also consider salary survey information for specific job categories, such as information from professional engineering or accounting associations. As a guiding principle, salary ranges for each of the job bands are set from the 10<sup>th</sup> percentile to the 75<sup>th</sup> percentile based on salary survey data gathered. Similarly, target incentive rates for each job band were established based on compensation survey information received from these sources.

Each of the NEOs' positions were evaluated as part of the Hay Group project and the NEOs were placed in the appropriate job band. For 2011, all of the NEOs are within the salary range that has been established for the appropriate job band. The specific placement of NEOs within the range established for the job band are dependent

on the evaluation of the factors described previously in the introductory paragraph under "Compensation Determination Process" above.

In addition to the Hay Group process described above, for the CEO, the Compensation Committee considered the base salary, incentive compensation and share option grant levels for Chief Executive Officers of the following small-cap technology companies:

**Canadian-Listed Companies:**

20-20 Technologies Inc.	Axia Netmedia Corporation	Computer Modeling Group
Cyberplex Inc.	Dragonwave Inc.	Gennum Corporation
GuestLogix Inc.	Intermap Technologies Corporations	Peer 1 Network Enterprises, Inc.
Aastra Technologies Ltd.	Pure Technologies Ltd.	Redknee Solutions Inc.
Sierra Wireless, Inc.	TIO Networks Corp.	TransGaming Inc.
Vecima Networks, Inc.	Webtech Wireless Inc.	Wi-Lan Inc.
Wireless Matrix Corporation	Zedi Inc.	

**United States-Listed Companies:**

Digimarc Corporation	Maxwell Technologies Inc.	Openwave Systems Inc.
Opnet Technologies, Inc.	Raven Industries, Inc.	Sierra Wireless, Inc.
Trimble Navigation Limited	Universal Display Corporation	

This survey group was selected with the objective of including small-cap companies engaged in technology-related activities in Canada and the United States. Companies were sought which are engaged in similar markets - such as GPS development and manufacturing or who sold agriculture-related products – as well as other technology-related companies to provide a larger sample size.

The Canadian-listed group of companies had market capitalizations ranging from about Cdn\$15 million to Cdn\$734 million calculated as of date of the regulatory filing from which the compensation data was sourced. The United States-listed group of companies had market capitalizations ranging from US\$137 million to US\$5.3 billion calculated as of date of the regulatory filing from which the compensation data was sourced.

While the Compensation Committee reviewed compensation data from United States-listed companies for 2011, greater priority was placed on the compensation information provided by Canadian-listed public companies for purposes of benchmarking the base salary, target incentive rate and share options grants.

At no time since the most recently completed financial year of the Corporation, has a compensation consultant or advisor been formally retained by the Corporation to assist the Board of Directors or the Compensation Committee in determining the compensation of the directors or executive officers of the Corporation.

*Incentive Plan*

For 2011, as described earlier, there are two elements that determine the amount of Incentive Plan payments to NEOs – corporate performance and individual performance.

Corporate performance targets were established based on profitability before incentive payments.

Individual performance objectives were established for the CEO with consultation and approval by the Compensation Committee. Although the specific details of the performance objectives are considered by us to be confidential, in that disclosure of such measures would provide sensitive competitive information to the Company's competitors, the primary elements of these objectives were as follows:

- Achieve budgeted financial metrics with respect to revenues and earnings;
- Achieve specific progress relating to the 2011 strategic level objectives:
  - Improve sales execution, including specific initiatives related to business acceleration, customer and technical support, revenue forecasting, channel expansion, and international expansion;
  - Portfolio development objectives, including initiatives related to new product developments, services, product management, and strategic collaboration;

- Business development, including initiatives associated with new customers, strategic alliances, and mergers and acquisition opportunities;
- Cost and working capital management objectives;
- Maturity of the new product introduction process;
- Quality objectives;
- Business performance and execution objectives;
- Organizational objectives; and
- Employee objectives focused on improving trust, engagement, empowerment and accountability.

### *Share Options*

Management and the Compensation Committee view share option awards as a critical element of the compensation program for the NEOs, other executives and key employees. We apply a formula to determine annual share option grants for NEOs and other executives, with the exception of the CEO. Under this formula, each NEO or other executive receives an annual grant of share options with the number of share options equal to approximately 20 – 25% of their annual base salary. The actual percentage awarded to a particular NEO or officer is subject to adjustment depending upon consideration of a number of factors, including the performance of the NEO or other executive for the particular year. Previous grants of option-based awards are not generally considered when evaluating the new grants.

The annual share option grant for the CEO is based upon evaluation of his current year performance as well as internally prepared compensation survey data as described previously. At April 27, 2012, the CEO held 890,000 share options representing 1.34% of outstanding Common Shares.

Special share option grants are also awarded occasionally to reward performance related to specific projects and activities or to achieve other objectives including retention.

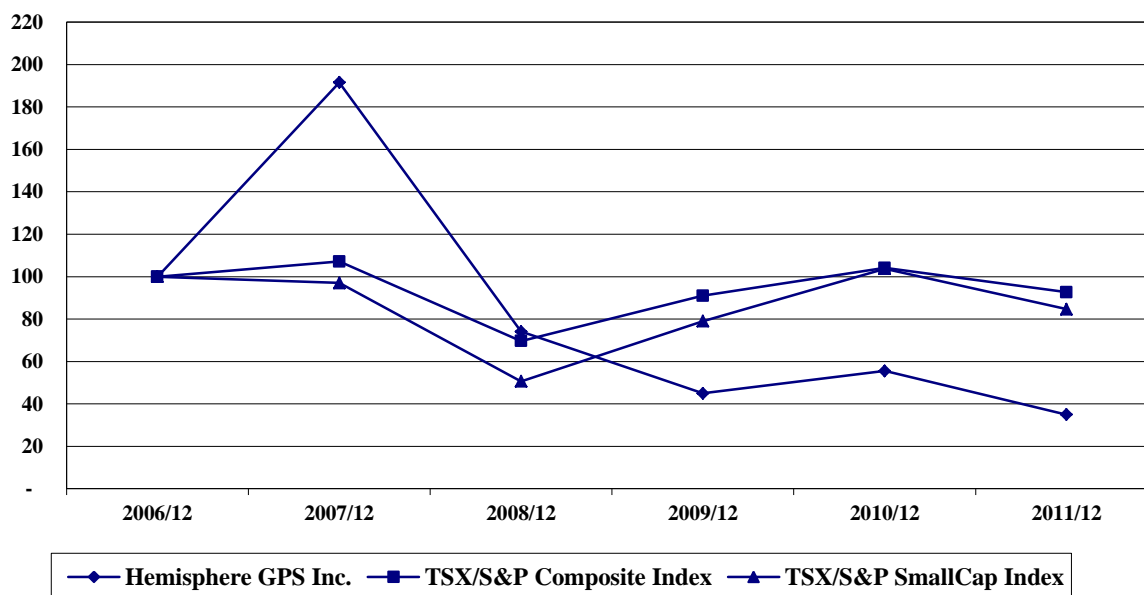
### *Special Share Option Grants*

The number of share options granted to the NEOs in 2011 were as follows:

	Annual Share Option Grant		Other Share Option Grants	
	Number	Exercise Price	Number	Exercise Price
Steven L. Koles	100,000	\$0.62	-	-
Cameron B. Olson	65,000	\$0.62	-	-
Kip E. Pendleton	50,000	\$0.62	-	-
Michael L. Whitehead	50,000	\$0.62	-	-
Philip W. Gabriel	40,000	\$0.62	-	-

## Performance Graph

The following graph illustrates our five year cumulative shareholder return, as measured by the closing price of our Common Shares at the end of each financial year, assuming an initial investment of \$100 on December 31, 2006, compared to the S&P/TSX Composite Index and the S&P/TSX Canadian SmallCap Index, assuming the reinvestment of dividends where applicable.



	2006/12	2007/12	2008/12	2009/12	2010/12	2011/12
Hemisphere GPS Inc.	100	192	74	45	56	35
S&P/TSX Composite Index <sup>(1)</sup>	100	107	70	91	104	93
S&P/TSX SmallCap Index <sup>(1)</sup>	100	97	51	79	104	85

Note:

(1) Total Return Index.

As described in previous sections, the compensation for NEOs is influenced by a variety of factors including corporate and individual performance as well as the share price performance.

The focus of the base salary and non-equity incentive elements of compensation is to motivate and reward corporate and individual performance for objectives designed to increase our share price in the mid to long term. The primary factor driving payout under our Incentive Plan in 2011 was profitability. As a consolidated loss was realized in 2011, there were no Incentive Plan payments awarded to the NEOs for the year related to consolidated corporate performance. Some Incentive Plan awards were awarded to NEO's for achievement of specific elements of business segment and personal objectives which are aligned with the long term growth strategies of the Company

The Corporation's financial performance and share price has been negatively impacted by the turbulence in the global economic markets, along with the Canadian and global equity markets in general. NEO compensation, and potential compensation, available through the incentive plan and equity incentive elements, has declined as a result.

It is challenging to compare the trend in executive compensation to the performance graph given executive turnover during this period of time and the change in the method of reporting total executive compensation implemented in 2008. The following discussion primarily focuses on salary and non-equity incentive compensation, which are reported consistently with prior years.

- The trend in executive compensation, reflected primarily through salary and non-equity incentive payments, generally followed the trend of share price performance in 2006 and 2007. During this time, our revenues and profitability also followed a similar increasing trend.
- In 2008, revenues and profitability showed significant growth – resulting in a larger proportionate increase in executive compensation compared to prior years – however, global economic events impacted our share price, together with global equity markets. This resulted in a disconnect in the trend of executive compensation relative to the share price performance during 2008.
- In 2009 and 2010, the continued impact of global recessionary conditions negatively impacted our financial performance and our share price. Executive compensation declined for most NEOs primarily as a result of lower incentive plan payments.
- In 2011, financial performance improved with revenues increasing by approximately 21% and profitability by about \$6 million. In spite of these improvements, the share price declined over the year. NEO compensation was mixed with minor increases and decreases realized by each NEO.

It is our objective to focus executive compensation on factors that build long term growth in the value of Hemisphere GPS such as revenue generation, profitability and initiatives that enhance our ability to grow profitably. While we believe that these factors should cause our share price to grow in the long term, they will not necessarily result in a consistent trend in annual non-equity executive compensation versus our share price – as that trend has a much shorter term focus.

## Summary Compensation Table

The following table sets forth for the years ended December 31, 2011, 2010 and 2009 information concerning the compensation paid to the Named Executive Officers. Amounts reported in this Information Circular are in United States dollars as this is the reporting currency used in our consolidated financial statements. Steven Koles and Cameron Olson are remunerated in Canadian dollars. Unless otherwise stated, each element of compensation described in this document is converted to US dollars using the average noon day foreign exchange rate for the applicable period as reported by the Bank of Canada. For 2011, 2010 and 2009 the foreign exchange rates applied were \$0.9894, \$1.0301 and \$1.1415 respectively. As the US dollar has weakened over this period, the translated compensation levels for NEOs compensated in Canadian dollars has increased more than the underlying Canadian dollar-denominated compensation as a result of these exchange rate changes.

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>(5)</sup> (\$)	Total compensation (\$)
					Annual incentive plans <sup>(4)</sup>	Long-term incentive plans			
Steven L. Koles President & Chief Executive Officer	2011	310,802	5,882	28,098	5,054	-	-	20,758	370,594
	2010	289,778	5,619	79,847	-	-	-	19,816	395,060
	2009	252,168	6,603	27,293	-	-	-	17,184	303,248
Cameron B. Olson Senior Vice President and Chief Financial Officer	2011	246,308	5,264	18,264	5,054	-	-	19,467	294,357
	2010	231,882	4,494	29,487	-	-	-	18,413	284,276
	2009	200,450	4,192	25,608	-	-	-	17,365	247,615
Kip E. Pendleton <sup>(6)</sup> Senior Vice President and GM, Agriculture	2011	211,141	-	14,049	16,840	-	-	23,302	265,332
	2010	202,564	-	21,843	10,000	-	-	22,959	257,366
	2009	92,800	-	44,326	29,794	-	-	7,109	174,029
Michael L. Whitehead Vice President, Technology	2011	205,991	4,394	14,049	-	-	-	8,240	232,674
	2010	202,675	4,158	29,559	4,700	-	-	10,863	251,955
	2009	198,344	3,989	20,807	-	-	-	5,950	229,090
Philip W. Gabriel Vice President and GM, Precision Products	2011	196,976	3,909	11,239	25,556	-	-	16,279	253,959
	2010	187,937	2,315	26,943	23,480	-	-	8,343	249,018
	2009	151,426	-	15,352	10,220	-	-	14,520	191,518

### Notes:

- (1) Base salaries for the NEOs at December 31, 2011 are as follows: Steven Koles Cdn\$310,500 (2010: Cdn\$298,500); Cameron Olson Cdn\$245,045 (2010: Cdn\$239,653); Kip Pendleton US\$219,966 (2010: US\$217,250); Michael Whitehead US\$210,812 (2010: US\$203,683); and Philip Gabriel US\$197,830 (2010: US\$193,951).
- (2) Share-based awards represent Corporation matching of half of NEO purchases of Hemisphere GPS Common Shares under the Employee Share Purchase Plan. The value is based on the amount paid by the Corporation to purchase the Common Shares on behalf of the NEO on the grant date, which is the date of the NEO purchases of the Common Shares, although such awards do not vest for one year following the NEO purchase of the Common Shares.
- (3) Share options granted to NEOs are valued based on the grant date fair value of the applicable share option grant. Fair value is determined in a manner consistent with that used in preparing the Corporation's consolidated financial statements. This approach uses the Black-Scholes option pricing model with the following weighted average assumptions for 2011: zero dividend yield; weighted average volatility of 62%; risk-free rate of 2.16%; a pre-vest forfeiture rate of 12.4% and expected stock option life of 3.5 years.
- (4) Amounts reported as payable under annual incentive plans represent amounts payable as described in the section on the Incentive Plan starting on page 11. Amounts reported a payable for performance in the year indicated, but the amounts may be paid in that year, or in the following year upon completion of the audited financial statements for such year.
- (5) Other compensation includes, where applicable, car allowances, retirement savings assistance and fitness membership reimbursements paid on behalf of the NEOs.
- (6) Mr. Pendleton joined the Corporation on July 1, 2009.

## Incentive Plan Awards

Details relating to the equity and non-equity incentive plans is included in the Compensation Discussion and Analysis section of this Information Circular.

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

The following table sets forth for each Named Executive Officer all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2011.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested <sup>(2)</sup> (#)	Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Steven L. Koles	100,000	2.20	Mar 8, 2012	-	6,529	4,237	-
	350,000	3.11	Apr 1, 2013	-			
	100,000	1.31	Dec 23, 2013	-			
	14,925	1.17	Sept 30, 2014	-			
	50,075	0.83	Dec 21, 2014	-			
	75,000	0.85	Mar 31, 2015	-			
	100,000	0.99	Dec 20, 2015	-			
	100,000	0.62	Dec 20, 2016	-			
Cameron B. Olson	10,000	3.11	Apr 1, 2013	-	5,199	3,374	-
	60,000	1.31	Dec 23, 2013	-			
	11,864	1.17	Sept 30, 2014	-			
	50,000	0.83	Dec. 21, 2014	-			
	12,500	0.85	Mar 31, 2015	-			
	50,000	0.99	Dec 20, 2015	-			
	65,000	0.62	Dec 20, 2016	-			
Kip E. Pendleton	40,000	1.06	Jul 31, 2014	-	-	-	-
	40,000	0.83	Dec 21, 2014	-			
	45,000	0.99	Dec 20, 2015	-			
	50,000	0.62	Dec 20, 2016	-			
Michael L. Whitehead	46,000	3.11	Apr 1, 2013	-	4,369	2,836	-
	40,000	1.31	Dec 23, 2013	-			
	10,083	1.17	Sept 30, 2014	-			
	40,000	0.83	Dec 21, 2014	-			
	16,045	0.82	Feb 28, 2015	-			
	9,000	0.85	April 1, 2015	-			
	40,000	0.99	Dec 20, 2015	-			
	50,000	0.62	Dec 20, 2016	-			
Philip W. Gabriel	35,000	2.20	Mar 8, 2012	-	4,510	2,927	-
	43,000	3.11	Apr 1, 2013	-			
	45,000	1.31	Dec 23, 2013	-			
	40,000	0.83	Dec 21, 2014	-			
	9,000	0.85	Mar 31, 2015	-			
	47,767	0.99	Dec 20, 2015	-			
	40,000	0.62	Dec 20, 2016	-			

Notes:

- (1) Calculated based on the difference between the closing price of the Corporation's Common Shares on December 31, 2011 (Cdn\$0.66) and the exercise price of the options. This value is calculated based on all vested and unvested options.
- (2) These amounts represent the Corporation's contributions matching 50% of NEO purchases of Hemisphere GPS Common Shares under the Employee Share Purchase Plan, but which have not vested at December 31, 2011. These awards vest one year after the NEO purchases the Common Shares to which such Corporation-matching applies. The value is calculated based on the closing share price of the Corporation's Common Shares on December 31, 2011 (Cdn\$0.66). The value is converted to US dollars at the December 31, 2011 Bank of Canada noon day rate of \$1.0170.



### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of option-based awards and share-based awards which vested during the year ended December 31, 2011 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Steven L. Koles	12,112	5,850	5,054
Cameron B. Olson	6,052	4,678	5,054
Kip E. Pendleton	5,164	-	16,840
Michael L. Whitehead	5,752	4,328	-
Philip W. Gabriel	4,757	2,410	25,556

Notes:

- (1) Calculated based on the difference between the closing price of the Corporation's Common Shares on the vesting date and the exercise price of the options on the vesting date. As the Corporation's share price is quoted in Canadian dollars, the value is calculated in Canadian dollars and converted to US dollars based on the average noon day foreign exchange rate for 2011, as reported by the Bank of Canada, which was \$0.9894.
- (2) Calculated based on the average price paid for the Common Shares by the Corporation during the year such Common Shares were purchased and converted to US dollars based on the average noon day foreign exchange rate for 2011, as reported by the Bank of Canada which was \$0.9894.

### Pension Plan Benefits

We do not have a pension plan for our NEOs or other employees.

### Termination and Change of Control Arrangements

#### *Termination*

We have entered into executive employment agreements with each of Mr. Koles, Mr. Olson, Mr. Pendleton and Mr. Gabriel. The agreements provide, *inter alia*, that if their employment is terminated for any reason, other than for just cause, they shall be entitled to certain termination payments ("**Termination Payments**"). The agreements for Mr. Koles, Mr. Pendleton and Mr. Gabriel provide for a Termination Payment equal to the one year's salary plus 15% in lieu of benefits. Mr. Olson's agreement provides for a Termination Payment equal to the product of twelve, plus one for each completed year of service, times the monthly salary, plus 15% in lieu of benefits, to a maximum of two year's salary and benefits.

Following termination, vested share options held by the NEOs on the termination date can be exercised for 10 or 30 days, depending on the date that such share options were granted. Following termination, the NEO loses the right to any unvested Common Shares purchased by Hemisphere GPS on behalf of the NEO in the Employee Share Purchase Plan, however, if termination is made by us without just cause, then the unvested Common Shares will vest immediately.

No payments to the NEOs in respect of termination have been made, accrued or became payable during 2011.

#### *Change in Control*

Mr. Koles' agreement provides that he will not voluntarily leave the employment of Hemisphere GPS during efforts to effect a change of control, or for six months after a change of control, unless the Board of Directors has provided written approval. In the event of a change of control situation, the agreement provides that if there is a constructive dismissal event (as such event is defined by common law, or if given a reduced title or responsibilities during a defined period following the change of control), then he may terminate the agreement within two months of such event and receive compensation equal to one times the current annual base salary plus 15% in lieu of benefits.

Furthermore, if there is a constructive dismissal event following a change of control, and he does not elect to terminate the agreement as a result of such constructive dismissal event, then he will be entitled to receive a payment equal to one times the current annual base salary on the day that is two months after the constructive dismissal event.

Mr. Olson's agreement provides that he will not voluntarily leave the employment of Hemisphere GPS during efforts to effect a change of control, or for six months after a change of control, except with the written approval of the Board of Directors.

For all NEOs, share options that are not vested will immediately vest and become exercisable upon a change of control event.

The following table contains the estimated incremental payments, payables and benefits that would arise assuming a termination date of December 31, 2011, pursuant to the terms and conditions of the executive employment agreements only.

Name	Event	Cash Payments <sup>(1)(2)</sup> (\$)	Value of Equity and Share-based awards <sup>(3)</sup> (\$)	Total (\$)
Steven L. Koles	Termination with cause	-	-	-
	Termination without cause	351,106	8,170	359,276
	<b>Change of Control with:</b>			
	Constructive dismissal – with termination <sup>(4)</sup>	351,106	8,170	359,276
	Constructive dismissal – no termination <sup>(5)</sup>	305,309	-	305,309
Cameron B. Olson	Termination with cause	-	-	-
	Termination without cause	531,091	5,930	537,021
	<b>Change of Control with:</b>			
	Constructive dismissal – with termination	-	5,930	5,930
	Constructive dismissal – no termination	-	-	-
Kip E. Pendleton	Termination with cause	-	-	-
	Termination without cause	252,961	1,966	254,927
	<b>Change of Control with:</b>			
	Constructive dismissal – with termination	-	1,966	1,966
	Constructive dismissal – no termination	-	-	-
Michael L. Whitehead	Termination with cause	-	-	-
	Termination without cause	-	4,802	4,802
	<b>Change of Control with:</b>			
	Constructive dismissal – with termination	-	4,802	4,802
	Constructive dismissal – no termination	-	-	-
Philip W. Gabriel	Termination with cause	-	-	-
	Termination without cause	227,505	4,500	232,005
	<b>Change of Control with:</b>			
	Constructive dismissal – with termination	-	4,500	4,500
	Constructive dismissal – no termination	-	-	-

Notes:

- (1) This table includes only the incremental amounts payable on termination and change of control that are payable by contract with the NEOs.
- (2) Amounts for NEOs compensated in Canadian dollars are converted to US dollars using the Bank of Canada noon day rate on December 31, 2011 which was \$1.0170.
- (3) The value of share options that vest upon change of control are calculated as the difference between the closing price of the Corporation's Common Shares on December 31, 2011 (Cdn\$0.66) and the exercise price of the options. The value is converted to US dollars at the December 31, 2011 Bank of Canada noon day rate of \$1.0170.
- (4) This scenario assumes that a constructive dismissal event occurs following a change of control and Mr. Koles elects to terminate the employment agreement within two months of such event.
- (5) This scenario assumes that a constructive dismissal event occurs following a change of control and Mr. Koles elects not to terminate the employment agreement within two months of such event.

## Director Compensation

### *Directors' Summary Compensation Table*

The following table sets forth for the year ended December 31, 2011, information concerning the compensation paid to our Directors other than Directors who are also Named Executive Officers.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Michael J. Lang	83,131	-	4,215	-	-	-	87,346
Barry D. Batcheller	27,844	-	4,215	-	-	-	32,059
Paul G. Cataford	46,746	-	4,215	-	-	-	50,961
Richard W. Heiniger	36,392	-	4,215	-	-	-	40,607
John M. Tye III	39,878	-	4,215	-	-	-	44,093
Howard W. Yenke	32,844	-	4,215	-	-	-	37,059

Note:

- (1) Share options granted to Directors are valued based on the grant date fair value of the applicable share option grant. Fair value is determined in a manner consistent with that used in preparing the Corporation's consolidated financial statements. This approach uses the Black-Scholes option pricing model with the following weighted average assumptions: zero dividend yield; weighted average volatility of 62%; risk-free rate of 2.16%; pre-vest forfeiture rate of 12.4% and stock option expected life of 3.5 years.
- (2) Mark Anderson was appointed Director following the closing of the Corporation's acquisition of the AgJunction business on January 31, 2012. Therefore, no fees were payable to Mark Anderson during 2011.

Directors who are also executive officers of Hemisphere GPS do not receive compensation for acting in their capacities as Directors.

Directors who are not executive officers receive compensation for serving in their capacity as such as determined by the Compensation Committee. The key elements of the compensation of Directors in 2011 are as follows:

- Directors fees - Cdn\$19,500 per year for each Director;
- Chairman retainers are paid as follows:
  - Chairman of the Board – Cdn\$47,500 per year;
  - Vice-Chairman – Cdn\$7,500 per year;
  - Audit Committee Chairman – Cdn\$8,500 per year;
  - Compensation Committee Chairman – Cdn\$5,000 per year; and
  - Corporate Governance Committee Chairman – Cdn\$5,000 per year.
- Meeting fees – Cdn\$1,000 for each board or committee meeting; and
- All Directors are reimbursed for out-of-pocket expenses incurred in connection with the performance of their duties.

In establishing the Directors' compensation for 2011, the Compensation Committee reviewed an internally developed survey of the following small-cap technology companies:

#### Canadian-Listed Companies:

20-20 Technologies Inc.  
Cyberplex Inc.  
GuestLogix Inc.  
Aastra Technologies Ltd.  
Sierra Wireless, Inc.  
Vecima Networks, Inc.  
Wireless Matrix Corporation

Axia Netmedia Corporation  
Dragonwave Inc.  
Intermap Technologies Corporations  
Pure Technologies Ltd.  
TIO Networks Corp.  
Webtech Wireless Inc.  
Zedi Inc.

Computer Modeling Group  
Gennum Corporation  
Peer 1 Network Enterprises, Inc.  
Redknee Solutions Inc.  
TransGaming Inc.  
Wi-Lan Inc.

**United States-Listed Companies:**

Digimarc Corporation  
Opnet Technologies, Inc.  
Trimble Navigation Limited

Maxwell Technologies Inc.  
Raven Industries, Inc.  
Universal Display Corporation

Openwave Systems Inc.  
Sierra Wireless, Inc.

***Directors' Outstanding Option-Based Awards and Share-Based Awards***

The following table sets forth for each of our Directors other than Directors who are also Named Executive Officers, all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2011.

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)</sup> (\$)	Number of shares or units of shares that have not vested <sup>(2)</sup> (#)	Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Michael J. Lang	15,000	3.11	Apr 1, 2013	-	N/A	N/A	N/A
	15,000	1.31	Dec 23, 2013	-			
	15,000	0.83	Dec 22, 2014	-			
	15,000	0.99	Dec 22, 2015	-			
	15,000	0.62	Dec 22, 2016	-			
Barry D. Batcheller	15,000	3.11	Apr 1, 2013	-	N/A	N/A	N/A
	15,000	1.31	Dec 23, 2013	-			
	15,000	0.83	Dec 22, 2014	-			
	15,000	0.99	Dec 22, 2015	-			
	15,000	0.62	Dec 22, 2016	-			
Paul G. Cataford	15,000	3.11	Apr 1, 2013	-	N/A	N/A	N/A
	15,000	1.31	Dec 23, 2013	-			
	15,000	0.83	Dec 22, 2014	-			
	15,000	0.99	Dec 22, 2015	-			
	15,000	0.62	Dec 22, 2016	-			
Richard W. Heiniger	15,000	3.11	Apr 1, 2013	-	N/A	N/A	N/A
	15,000	1.31	Dec 23, 2013	-			
	15,000	0.83	Dec 22, 2014	-			
	15,000	0.99	Dec 22, 2015	-			
	15,000	0.62	Dec 22, 2016	-			
John M. Tye III	15,000	3.11	Apr 1, 2013	-	N/A	N/A	N/A
	15,000	1.31	Dec 23, 2013	-			
	15,000	0.83	Dec 22, 2014	-			
	15,000	0.99	Dec 22, 2015	-			
	15,000	0.62	Dec 22, 2016	-			
Howard W. Yenke	15,000	3.11	Apr 1, 2013	-	N/A	N/A	N/A
	15,000	1.31	Dec 23, 2013	-			
	15,000	0.83	Dec 22, 2014	-			
	15,000	0.99	Dec 22, 2015	-			
	15,000	0.62	Dec 22, 2016	-			

## Notes:

- (1) Calculated based on the difference between the closing price of the Corporation's Common Shares on December 31, 2011 (Cdn\$0.66) and the exercise price of the options. This value is calculated based on all vested and unvested options.
- (2) The directors do not participate in the Employee Share Purchase Plan.
- (3) Mark Anderson was appointed Director following the closing of the Corporation's acquisition of the AgJunction business on January 31, 2012. Therefore, Mark Anderson did not participate in these plans during 2011.

### ***Directors' Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth for each of our Directors other than Directors who are also Named Executive Officers, the value of option-based awards and share-based awards which vested during the year ended December 31, 2011 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011.

<b>Name</b>	<b>Option-based awards – Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Share-based awards – Value vested during the year<sup>(2)</sup> (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Michael J. Lang	1,510	-	-
Barry D. Batcheller	1,510	-	-
Paul G. Cataford	1,510	-	-
Richard W. Heiniger	1,510	-	-
John M. Tye III	1,510	-	-
Howard W. Yenke	1,510	-	-

Notes:

- (1) Calculated based on the difference between the closing price of the Corporation's Common Shares on the vesting date and the exercise price of the options on the vesting date. As the Corporation's share price is quoted in Canadian dollars, the value is calculated in Canadian dollars and converted to US dollars based on the average noon day foreign exchange rate for 2011, as reported by the Bank of Canada, which was \$0.9894.
- (2) The directors do not participate in the Employee Share Purchase Plan.
- (3) Mark Anderson was appointed Director following the closing of the Corporation's acquisition of the AgJunction business on January 31, 2012. Therefore, Mark Anderson did not participate in these plans during 2011.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2011.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>(1)</sup> (a)</b>	<b>Weighted average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<sup>(1)</sup> (c)</b>
Equity compensation plans approved by securityholders	4,844,085	\$1.40	1,238,355
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>4,844,085</b>	<b>\$1.40</b>	<b>1,238,355</b>

Note:

- (1) The Share Option Plan has a rolling maximum/evergreen limit for the issuance of share options up to, but not in excess of 10% of outstanding Common Shares. At December 31, 2011, there were 60,824,409 Common Shares outstanding, providing a share option limit of 6,082,440 share options of which 4,844,085 share options are outstanding representing 8.0% of the outstanding number of Common Shares.

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

There was no indebtedness owing to us or any of our subsidiaries from executive officers, Directors, employees or former executive officers, Directors or employees of the Corporation or any of our subsidiaries during the year ended December 31, 2011 or at April 27, 2012.

## **INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON AT THE MEETING**

Management are not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise of any Director or executive officer who has held office as such since the beginning of our last financial year, any proposed Director, or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting, other than the election of Directors, the appointment of Auditors or except as disclosed elsewhere in this Information Circular.

## **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of any proposed Director of the Corporation, or any Informed Person (as defined in National Instrument 51-102) of the Corporation or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## **OTHER MATTERS**

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 accompanying Instrument of Proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the Instrument of Proxy.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in our comparative annual financial statements and management discussion and analysis for our most recently completed financial year. We will provide, without charge to a security holder, a copy of Hemisphere GPS' latest annual information form, the 2011 annual report to shareholders containing comparative annual financial statements for the year ended December 31, 2011 together with the auditors' report thereon and management's discussion and analysis, interim financial statements for subsequent periods, and this Information Circular upon request to the Chief Financial Officer, 4110 – 9<sup>th</sup> Street S.E., Calgary, Alberta, T2G 3C4. If you wish, this information may also be accessed on Hemisphere GPS' website ([www.hemispheregps.com](http://www.hemispheregps.com)) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CORPORATE GOVERNANCE**

Corporate governance disclosures and policies required by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**National Instrument 58-101**") are attached to this Information Circular as "Schedule A."

**SCHEDULE A**  
**CORPORATE GOVERNANCE DISCLOSURE**

Corporate governance disclosures are required by National Instrument 58-101 to be included in this Information Circular.

- **Board of Directors**

**Disclose the identity of directors who are independent.**

Barry D Batcheller, Paul G. Cataford, Richard W. Heiniger, Michael J. Lang, John Tye III, Mark Anderson and Howard W. Yenke are independent within the meaning of National Instrument 58-101. These Directors are not a part of the Hemisphere GPS management and do not have any direct or indirect material relationship with the Corporation which could or could reasonably be expected to interfere with the exercise of the Directors' independent judgement.

**Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Steven Koles is not independent as he is the President and Chief Executive Officer of Hemisphere GPS.

**Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the Directors are independent. There are currently eight Directors in total, seven of whom are independent.

**If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
Michael Lang	N/A
Mark Anderson	N/A
Barry Batcheller	N/A
Paul Cataford	A member of the board of Sierra Wireless Inc.
Richard Heiniger	N/A
Steven Koles	N/A
John Tye III	N/A
Howard Yenke	N/A

**Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

The Compensation Committee, the Audit Committee and the Corporate Governance Committee are all composed entirely of independent Directors. These committees hold regular meetings without the attendance of non-independent Directors.

The Board has a standing or regular agenda item in all Board meetings where the Directors meet alone, apart from the management of the Corporation.

**Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

The chair of the Board, Michael Lang, (the "**Chairman**") is an independent Director within the meaning of National Instrument 58-101. The Board has established a position description for the Chairman, that provides the following role and responsibilities:

- The Chairman shall, when present, preside at all meetings of the Board and, unless otherwise determined by the Directors, at all meetings of shareholders.
- The Chairman shall endeavour to provide overall leadership to the Board without limiting the principle of collective responsibility and the ability of the Board to function as a unit.
- To the extent that it is reasonably practicable, the Chairman will provide advice, counsel and mentorship to the CEO, committee chairs, and fellow Directors.
- The Chairman shall be responsible to ensure that Board meetings function satisfactorily and that the tasks of the Board are handled in the most reasonable fashion under the circumstances. In this connection, it is recommended that the Chairman attempt to ensure that the individual Director's particular knowledge and competence are used in the best possible manner for the Board for the benefit of the Corporation. The Chairman shall endeavour to encourage full participation and discussion by individual Directors, stimulate debate, facilitate consensus and ensure that clarity regarding decisions is reached and duly recorded.
- The Chairman shall endeavour to ensure that the Board's deliberations take place when all of the Directors are present and, to the extent that is reasonably practicable, to ensure that all essential decisions are made when all of the Directors are present.
- The Chairman shall encourage Board members to ask questions and express viewpoints during meetings.
- The Chairman shall deal effectively with dissent and work constructively towards arriving at decisions and achieving consensus.
- The Chairman shall endeavour to ensure that the independent members of the Board meet in separate, regularly scheduled, non-management closed sessions with internal personnel or outside advisors, as needed or appropriate.
- The Chairman shall endeavour to establish a line of communication with the CEO of the Corporation to ensure that Board meetings can be scheduled to deal with important business that arises outside of the regular quarterly meetings.
- The Chairman shall endeavour to fulfill his or her Board leadership responsibilities in a manner that will ensure that the Board is able to function independently of management. The Chairman shall consider, and provide for meetings of all of the independent Directors without management being present. The Chairman shall endeavour to ensure reasonable procedures are in place to allow for



Directors to engage outside advisors at the expense of the Corporation in appropriate circumstances, subject to the approval of the Corporate Governance Committee.

- The Chairman shall endeavour to ensure that the Board meets at least four times annually and as many additional times as necessary to carry out its duties effectively and shall endeavour to ensure that the shareholders meet at least once annually and as many additional times as required by law.
- With respect to meetings of Directors or shareholders, it is the duty of the Chairman to enforce the Rules of Order. These duties include:
  - ensuring that the meeting is duly constituted;
  - ensure the meeting provides for reasonable accommodation;
  - confirming the admissibility of all persons at the meeting;
  - preserving order and the control of the meeting;
  - in respect of shareholders' meetings, appointing scrutineers if requested and instruct them in their duties;
  - rule on the validity of proxies;
  - to ascertain the sense of the meeting by a vote on all questions properly brought before the meeting;
- The Chairman shall liaise with the Corporate Secretary of the Corporation to ensure that a proper notice and agenda has been disseminated, and that appropriate accommodations have been made for all Board and shareholder meetings and shall also liaise with the committee chairs, other Directors, the CEO and outside advisors, as appropriate, to establish the agenda for each Board meeting.
- The Chairman shall also endeavour to:
  - ensure that the boundaries between the Board and management responsibilities are clearly understood and respected and that relationships between the Board and management are conducted in a professional and constructive manner;
  - facilitate effective communication between Directors and management, both inside and outside of Board meetings;
  - actively participate and oversee the administration of the annual evaluation of performance and effectiveness of the Board, Board committees, all individual Directors, committees chairs (other than the Board chair or any committee upon which the Board sits as the chair) and CEO;
  - when appropriate, assist Directors in their transition from the Board, and to support the orientation of new Directors and the continuing education of current Directors; and
  - to ensure that an annual performance evaluation of the Board chair (and any committee upon which the Board sits as the chair) is conducted, soliciting input from all Directors and appropriate members of management and to carry out any other appropriate duties and responsibilities as may be assigned by the Board from time to time.

**Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

	<b>Board Meetings</b>	<b>Audit Committee Meetings</b>	<b>Compensation Committee Meetings</b>	<b>Corporate Governance Committee Meetings</b>
Michael J. Lang	100%	100%	N/A	N/A
Barry D. Batcheller	100%	N/A	100%	N/A
Paul G. Cataford	100%	100%	N/A	100%
Richard W. Heiniger	100%	N/A	N/A	N/A
John M. Tye III	100%	100%	N/A	100%
Howard W. Yenke	100%	N/A	100%	N/A
Steven L. Koles	100%	N/A	N/A	N/A

Mark Anderson was appointed a member of the Board of Directors on January 31, 2012. Since that time, there has been one meeting of the Board of Directors, and Mark Anderson was in attendance at that meeting.

- **Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.**

The Mandate of the Board is attached to this Information Circular as Schedule B.

- **Position Descriptions**

**Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

The Board has developed a position description for the Chairman and the chair of each Board Committee. The Board has also developed specific Terms of Reference for each of its standing committees ("**Terms of Reference**"). The Terms of Reference describe the functions and responsibilities of the committees and by inference their chairs' roles. The Terms of Reference for the Audit Committee, Compensation Committee and Corporate Governance Committee are attached to this Information Circular as Schedule C, Schedule D and Schedule E, respectively.

**Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

The Board and the CEO have developed a written position description for the CEO.

- **Orientation and Continuing Education**

**Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

The Corporate Governance Committee, by its terms of reference (as attached as Schedule E to this Information Circular) is responsible to develop an orientation and education program for new recruits to the Board. The committee assesses new Directors' knowledge of the Corporation's business (products, industries, technologies, competition, etc.), identifies areas where more information is necessary, and provides that information through reference materials, meetings with staff, and through other means. In addition, the Corporate Governance Committee provides new Directors with copies of the Board's mandate, the standing committees' Terms of Reference, and other documentation.

**Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

Board members pursue continuing education opportunities as considered appropriate by the particular Board member. In order to ensure that the Board remains knowledgeable about relevant technologies and industries, Board members receive regular technical or other relevant presentations as part of Board meetings and otherwise as considered necessary, and tour Hemisphere GPS' facilities.

- **Ethical Business Conduct**

**Disclose whether or not the board has adopted a written code for the directors, officers and employees.**

The Board has adopted a written Code of Conduct ("**Code**") for all Directors, officers and employees.

**If the board has adopted a written code:**

- (i) **Disclose how a person or company may obtain a copy of the code**

The Code is posted on Hemisphere GPS' internal and external Internet websites, and has been filed on the System for Electronic Document Analysis and Retrieval (SEDAR).

- (ii) **Describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code**

All Hemisphere GPS Directors, officers and employees annually sign a form saying they are in compliance with the Code. The Code includes specific procedures for anyone wanting to report a perceived violation of the Code. In addition, the Corporation has a "Financial Concerns Submission Policy" that outlines those procedures and that is available to all employees and Directors. These procedures include access to an anonymous "whistle-blower hotline and website" (overseen by a third-party organization) that relays Code concerns directly to the Audit Committee. The Audit Committee has a standing or regular item on its meeting agendas to ensure that any submissions to the "whistle-blower hotline and website" are addressed promptly and thoroughly.

- (iii) **Provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There were no material change reports filed pertaining to any departures from the Code.

**Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

Board members and executive officers are required to declare the nature and extent of any material interest in any transactions or agreements and may not vote in relation to any such matter. In certain cases an independent committee may be formed to deliberate on such matters in the absence of the interested party.

**Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

Due to the fact that Hemisphere GPS has a Code, an effective procedure for monitoring and enforcing the Code, a Board Mandate, a Board chairman position description, and committee Terms of Reference, the Board sees no need at this time for additional steps.

- **Nomination of Directors**

**Describe the process by which the board identifies new candidates for board nomination.**

The Board's Corporate Governance Committee is responsible to develop and maintain a list of potential candidates for Board membership when necessary, and to review, interview, and recommend nominees to the full Board. Other Board members and management may also provide recommendations for nominees. Nominees must possess general business management experience, together with specific experience in areas of strategic interest to Hemisphere GPS. Nominees must also be willing and able to devote the required time and energy to Board responsibilities, and to support the Corporation's mission and strategic objectives.

**Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

The Board has a Corporate Governance Committee, which is responsible for nominating Directors, which is comprised of two independent Directors.

**If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

The Board's Corporate Governance Committee, when the need for Board nominations arises, compiles and reviews a list of potential Board members and makes recommendations to the Board. See the Corporate Governance Committee's Term of Reverence in the attached section E.

- **Compensation**

**Describe the process by which the board determines the compensation for the issuer's directors and officers.**

The Compensation Committee is responsible to review Directors' and officers' compensation, and where appropriate to make recommendations to change the compensation. To make its recommendations, the Compensation Committee takes into account, among other factors, the nature and amount of compensation paid to Directors and officers of comparable publicly traded Canadian companies and the circumstances of the Corporation. The details of such comparisons are more fully described in the Executive Compensation section of this Information Circular.

**Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

The Board has a Compensation Committee, which is comprised of two independent Directors.

**If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Compensation Committee is charged with the responsibility to oversee the approach of the Corporation to matters concerning Director, executive and employee compensation and, from time to time, to make recommendations to the Board of Directors with respect to such matters. See the Compensation Committee's Terms of Reference in the attached Schedule D.

- **Other Board Committees**

**If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

The Board has a Corporate Governance Committee. The Committee's functions and responsibilities are outlined in the Terms of Reference attached as Schedule E to this Information Circular.

- **Assessments**

**Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.**

The Corporate Governance Committee is responsible by its Terms of Reference for periodically assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual Directors. The Committee conducts an annual review through the completion of a survey by each Director. In the survey, the Directors assess their own performance and that of their colleagues. The resulting information is summarized in confidential form with the results provided to the Chairman and each Director for review.

## SCHEDULE B

### MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "**Board**") of the Corporation is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

- A. in consultation with the chief executive officer of the Corporation (the "CEO"), define the principal objective(s) of the Corporation;
- B. supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objective(s) as defined by the Board;
- C. discharge the duties imposed on the Board by applicable laws; and
- D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board, through discussion with the CEO and other management, will perform the following duties:

#### Strategic Direction, Operating, Capital and Financial Plans

- a. require the CEO to present annually to the Board a strategic business plan for the Corporation's business, which must:
  - (i) be designed to achieve the Corporation's principal objectives,
  - (ii) identify the principal strategic and operational opportunities and risks of the Corporation's business, and
  - (iii) be approved by the Board as a pre-condition to the implementation of such plan;
- b. review the principal risks of the Corporation's business and the steps the Corporation is undertaking to manage these risks;
- c. approve the annual operating and capital plans;
- d. approve issuances of additional common shares or other securities to the public;
- e. monitor the Corporation's progress towards its goals as established in the strategic, operating and capital plans, and to revise and alter its direction through management in light of changing circumstances;

#### Management and Organization

- f. appoint the CEO and determine the terms of the CEO's employment with the Corporation;
- g. in consultation with the CEO, develop a position description for the CEO;
- h. evaluate the performance and integrity of the CEO periodically;
- i. in consultation with the CEO, establish the limits of management's authority and responsibility in conducting the Corporation's business;

- j. in consultation with the CEO, appoint all officers of the Corporation and approve the terms of each officer's employment with the Corporation;
- k. receive periodically from the CEO the CEO's evaluation of the performance of each senior officer who reports to the CEO;
- l. develop a system under which succession to senior management positions will occur in a timely manner;
- m. approve any proposed significant change in the management organization structure of the Corporation;
- n. approve all retirement plans, if any, for officers and employees of the Corporation;
- o. in consultation with the CEO, establish a communications policy for the Corporation;
- p. generally provide advice and guidance to management;

### **Finances and Controls**

- q. discuss with management the Corporation's systems to manage the risks of the Corporation's business and whether such systems are appropriate in the circumstances;
- r. consider the appropriateness of the Corporation's capital structure;
- s. review with management the procedures and controls in place to ensure that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis and whether such systems are appropriate in the circumstances;
- t. in consultation with the CEO, promote a culture of integrity for the Corporation and establish the ethical standards to be observed by all officers and employees of the Corporation and a process to monitor compliance with those standards;
- u. review with management the processes and systems designed to ensure compliance with applicable laws by the Corporation and its officers and employees and whether such systems are appropriate in the circumstances;
- v. review with management the steps taken by the Corporation to maintain the integrity of internal control and information systems, including maintenance of all required records and documentation;
- w. review and approve material contracts to be entered into by the Corporation;
- x. recommend to the shareholders of the Corporation a firm of chartered accountants to be appointed as the Corporation's auditors;
- y. take all necessary actions to gain reasonable assurance that all financial information made public by the Corporation (including the Corporation's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance;

### **Governance**

- z. in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;
- aa. facilitate the continuity, effectiveness and independence of the Board by, amongst other things,
  - (i) selecting nominees for election to the Board,

- (ii) appointing a Chairman of the Board who is not a member of management;
  - (iii) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate,
  - (iv) defining the terms of reference of each committee of the Board,
  - (v) implementing processes to assess the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director,
  - (vi) establishing a system to enable any director to engage an outside adviser at the expense of the Corporation;
- bb. review periodically the adequacy and form of the compensation of directors;

### **Delegation**

- cc. the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board;

### **Meetings**

- dd. the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair and, unless impracticable, all board members are expected to attend all board meetings and review all board materials in advance of all meetings;
- ee. minutes of each meeting shall be prepared;
- ff. the Chief Executive Officer or his designate(s) may be present at all meetings of the Board;
- gg. Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board;
- hh. directors will formally declare any conflicts of interest to the Board, including the nature and extent of any material interest in any transactions or agreements, and except in respect of matters exempted pursuant to subsection 120(6) of the Business Corporations Act (Alberta), will refrain from voting in relation to such matters;
- ii. if requested by any director, the members of the Board who are not members of the Corporation's management, will meet separately from directors who are members of management, to discuss any matters raised by the director requesting the separate meeting;
- jj. if requested by any director, the members of the Board who do not have a material interest in a transaction or agreement, will meet separately from directors who have such a material interest, to discuss any matters raised by the director requesting the separate meeting;

### **Report/Authority**

- kk. following each meeting, the secretary of such meeting will promptly report to the Board by way of providing draft copies of the minutes of the meetings.



## SCHEDULE C

### AUDIT COMMITTEE TERMS OF REFERENCE

1. **Establishment of Audit Committee:** The board of directors (the "Board") hereby establish a committee to be called the Audit Committee (the "Committee").
2. **Membership:** The Committee shall be composed of three members or such greater number as the Board may from time to time determine, all of whom shall be "independent", as such term is defined in Multilateral Instrument 52-110, "Audit Committees" ("MI 52-110"). Members shall be appointed periodically from among the "independent" members of the Board. All members of the Committee shall be financially literate, being defined under MI 52-110 and herein as having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements.
3. **Mandate:** The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities.

#### **Audit Committee Purpose**

Through discussion with management and the external auditors of the Corporation, the Audit Committee will be responsible to:

- Monitor the management of the principal risks that could impact the financial reporting of the Company;
- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- Oversee and monitor the independence and performance of the Company's external auditors;
- Provide an avenue of communication among the external auditors, management and the Board of Directors, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- Encourage adherence to, and continuous improvement of, the Company's policies, procedures, and practices at all levels;
- Monitor compliance with legal and regulatory requirements; and
- Ensure that effective procedures are in place for the anonymous submission, receipt, retention and treatment of complaints and concerns regarding accounting, internal control and auditing matters.

#### **Audit Committee Duties and Responsibilities**

Primarily through review and discussion with management and the external auditors, the Audit Committee is responsible to:

#### **Review Procedures**

- (a) Review periodically the Committee's Terms of Reference;
- (b) Review the Company's annual audited financial statements and related documents, including the press release and MD&A, prior to filing or distribution. Review should include discussion with

management and external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments;

- (c) Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (d) Review any significant disagreements among management and the independent auditors in connection with the preparation of the financial statements;
- (e) Periodically, in consultation with management and external auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures;
- (f) Review risk management policies and procedures of the Company (i.e., litigation and insurance);
- (g) Periodically review and assess the adequacy of the procedures that are in place for the review of the Company's public disclosure of financial information extracted from or derived from the Company's financial statements;
- (h) Review significant findings prepared by the external auditors together with management's responses;
- (i) Review the principal risks affecting financial reporting;
- (j) Review with financial management and the external auditors, and approve, the company's quarterly financial results and related documents, including the quarterly press releases and MD&A, prior to the public release. By approval of these Terms of Reference for the Audit Committee, the Board delegates the authority to approve these documents on behalf of the Board;
- (k) Discuss any significant changes to the Company's accounting principles prior to their adoption. The Chair of the Committee may represent the entire Audit Committee for purposes of this review;

#### **External Auditors**

- (l) The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the external auditors or approve any discharge of auditors when circumstances warrant;
- (m) Approve the fees and other significant compensation to be paid to the external auditors;
- (n) On an annual basis, the Committee should review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence;
- (o) Review the external auditors' audit plan - discuss and approve audit scope, staffing, locations, reliance upon management, and general audit approach;
- (p) Prior to releasing the year-end financial results, discuss the results of the audit with the external auditors. Discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants;

- (q) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting;
- (r) Approve all non-audit services to be provided to the Corporation by the external auditors' firm, prior to such services being performed, except that by approval of these terms of reference, the Audit Committee hereby approves the following non-audit services to be provided by the external auditors:
  - (i) Tax services connected with the preparation of the Corporation's tax returns, or the tax returns of any of its subsidiaries; and
  - (ii) Due diligence and tax services connected with any mergers, acquisitions or dispositions being considered by the Corporation;
- (s) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present or former auditors;
- (t) When there is to be a change in external auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;

#### **Legal Compliance**

- (u) On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies; and

#### **Other Audit Committee Responsibilities**

- (v) Periodically assess the effectiveness of the committee against its terms of reference and report the results of the assessment to the Board.

#### **4. Administrative Matters:** The following general provisions shall have application to the Committee:

- (a) The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties;
- (b) Two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;
- (c) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its independent members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;
- (d) The Committee shall meet at least four times per year and/or as deemed appropriate by the Chair;
- (e) If deemed necessary by the Chair, agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;

- (f) Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;
- (g) The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;
- (h) The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;
- (i) Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman;
- (j) Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.

**SCHEDULE D****COMPENSATION COMMITTEE TERMS OF REFERENCE**

1. **Establishment of Compensation Committee:** The board of directors (the "Board") hereby establish a committee to be called the Compensation Committee (the "Committee").
2. **Membership:** The Committee shall be composed of two members or such greater number as the Board may from time to time determine, of whom the majority shall be "independent" directors as defined in Multilateral Instrument 52-110 "Audit Committees". Members shall be appointed periodically from among the members of the Board.
3. **Mandate:** The Committee shall, in addition to any other duties and responsibilities specifically delegated to it by the Board, generally assume responsibility for overseeing the approach of the Corporation to matters concerning director, executive and employee compensation and, from time to time, shall review and make recommendations to the Board as to such matters. Specifically, the Committee will have the authority and responsibility for:
  - (a) reviewing on a periodic basis the compensation of the Board, considering whether such compensation is appropriate in the circumstances giving consideration to the market for companies of similar size and nature, and to the circumstances of the Corporation, and recommending to the Board changes in director compensation based upon such review;
  - (b) reviewing on a periodic basis the compensation of the Senior Executives of the Corporation, considering whether such compensation is appropriate in the circumstances giving consideration to the market for companies of similar size and nature, and to the circumstances of the Corporation, and recommending to the Board changes in executive compensation based upon such review;
  - (c) reviewing, on a periodic basis the compensation program of the Corporation, considering whether such compensation is appropriate in the circumstances giving consideration to the market for companies of similar size and nature, and to the circumstances of the Corporation, and approving changes to the compensation program. For this purpose, the compensation program of the Corporation will include salaries, benefit programs, stock-based compensation programs, incentive compensation programs, and all other items impacting the compensation of all employees of the Corporation;
  - (d) make recommendations to the board of directors regarding appointments of corporate officers and senior management;
  - (e) monitoring the human resources practices of the Corporation, including the development and implementation of policies, performance management and other processes impacting employee recruitment and retention;
  - (f) reviewing corporate goals and objectives relevant to Chief Executive Officer compensation and together with the independent directors determine and approve the Chief Executive Officer's compensation based on evaluation from the Chairman of the Board;
  - (g) making recommendations to the board of directors with respect to compensation of executive officers other than the Chief Executive Officer and incentive compensation and equity based plans that are subject to board approval;

- (h) reviewing annually and recommending for approval to the board of directors the executive compensation disclosure and "Report of the Compensation Committee" disclosure of the Corporation in its information circular; and
- (i) reviewing periodically the Committee's Terms of Reference.

4. **Administrative Matters:** The following general provisions shall have application to the Committee:

- (a) the Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation;
- (b) two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;
- (c) any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;
- (d) the Committee shall meet at least two times per year and/or as deemed appropriate by the Chair;
- (e) if deemed necessary by the Chairman, agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;
- (f) any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;
- (g) the Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;
- (h) the time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;
- (i) unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman. Notwithstanding the foregoing, in all circumstances the Chairman must be an independent director, unrelated to the Corporation; and
- (j) minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.

**SCHEDULE E****CORPORATE GOVERNANCE COMMITTEE TERMS OF REFERENCE**

1. **Establishment of Corporate Governance Committee:** The board of directors (the "Board") hereby establish a committee to be called the Corporate Governance Committee (the "Committee").
2. **Membership:** The Committee shall be composed of two members or such greater number as the Board may from time to time determine, of whom the majority shall be outside directors and unrelated to the Corporation. Members shall be appointed periodically from among the members of the Board.
3. **Mandate:** The Committee shall, in addition to any other duties and responsibilities specifically delegated to it by the Board, generally assume responsibility for developing the approach of the Corporation to matters concerning corporate governance and, from time to time, shall review and make recommendations to the Board as to such matters. Specifically, the Committee will have the authority and responsibility for:
  - (a) periodically review the mandates of the Board and the terms of reference of its committees and recommend to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
  - (b) preparing and recommending to the Board periodically a statement of corporate governance practices to be included in the Corporation's annual report or information circular as required by the Toronto Stock Exchange or any other regulatory authority;
  - (c) to make recommendations to the Board as to which directors should be classified as "independent" directors or "non-independent" directors pursuant to any such report or circular;
  - (d) reviewing on a periodic basis the composition of the Board and considering whether an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;
  - (e) assessing, periodically, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including considering the appropriate size of the Board;
  - (f) developing a list of potential candidates for Board membership when required and where appropriate, interviewing potential candidates for board membership;
  - (g) to develop for approval by the Board, when necessary, an orientation and education program for new recruits to the Board;
  - (h) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;
  - (i) to develop and recommend to the Board for approval and periodically review structures and procedures designed such that the Board can function independently of management;
  - (j) review periodically the Committee's Terms of Reference; and
  - (k) to review and consider the engagement at the expense of the Corporation of professional and other advisors by any individual director when so requested by any such director.

4. **Administrative Matters:** The following general provisions shall have application to the Committee:
- (a) the Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation;
  - (b) two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;
  - (c) any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;
  - (d) members should have or obtain sufficient knowledge of the Corporation's corporate governance requirements to assist in providing advice and counsel on ongoing compliance and improvements to the Corporation's corporate governance activities;
  - (e) the Committee shall meet at least two times per year and/or as deemed appropriate by the Chair;
  - (f) if deemed necessary by the Chairman, agendas, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;
  - (g) any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;
  - (h) the Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;
  - (i) the time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;
  - (j) unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman. Notwithstanding the foregoing, in all circumstances the Chairman must be an outside director, unrelated to the Corporation; and
  - (k) minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.