PETROCORP GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

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The following Management Discussion and Analysis (MD&A) is based on the March 31, 2012 consolidated financial statements, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), and is provided to assist readers in understanding the financial performance of PetroCorp Group Inc., ("PetroCorp" or the "Corporation") during the period(s) presented. As further explained on page 5, Canadian GAAP for publicly accountable enterprises is equivalent to International Financial Reporting Standards ("IFRS") effective January 1, 2011. This MD&A is dated July 25, 2012.

The following MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended March 31, 2012 and 2011.

All values expressed in this document are in Canadian dollars, except for charts and/or graphs which are in thousands of Canadian dollars.

FORWARD LOOKING STATEMENTS

The following discussion contains certain forward-looking statements, including management's assessment of future plans, expenses, taxes, payments and liabilities under the APAs (as defined herein), the amount of the distribution of proceeds from the APAs to the shareholders, and the timing thereof, and the completion of the Follow-on Transaction (as defined herein) and the timing thereof, that involve substantial known and unknown risks, assumptions and uncertainties, certain of which are beyond the Corporation's control. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to PetroCorp or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and PetroCorp does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

DESCRIPTION OF THE BUSINESS

At the present time the Corporation is an inactive company with no ongoing business operations. The Corporation's primary responsibility is to collect the funds payable pursuant to the terms of the APAs (as defined herein), and to administer the funds for distribution or other investment.

BASIS OF PRESENTATION

As the Company disposed of its operating business and has no continuing operations, it has changed the basis of preparing its financial statements from the going concern basis to the liquidation basis as required by International Accounting Standard ("IAS") 1. As a result, the financial statements for the year ended March 31, 2012 have been prepared using a liquidation basis of accounting. This basis of presentation differs from the presentation adopted in the interim financial reports of the Company issued during its financial year ended March 31, 2012. However, the adoption of a liquidation basis of presentation did not result in a change to the net assets of the Company. Should the Company not proceed with the liquidation of its net assets, it will revert to a going concern basis of presentation.

DISCONTINUED OPERATIONS

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

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

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

As of March 31, 2012, all payments and adjustments related to the APAs have been settled, with the exception of $1,000,000 which remains in escrow as per the terms of the APAs.

As a result of the Transaction the Corporation does not have any operating business at this time.

The Corporation is party to a Statement of Claim wherein Powell is claiming that the Corporation breeched certain representations and warranties contained in the APAs. Powell is claiming it has suffered damages in the amount of $9,000,000, and is seeking indemnification for these alleged damages from the Corporation and other defendants.

HIGHLIGHTS OF THE YEAR ENDED MARCH 31, 2012

The Corporation is currently being managed by two individuals, to collect on the remaining proceeds, if any, and to settle the remaining obligations as a result of the Transaction; to continue to meet the Corporation's obligations as an ongoing legal entity and reporting issuer, and to pursue alternatives with respect to the future opportunities of the Corporation.

As consideration for participating in a stand-by purchase agreement (the "Stand-By Agreement") in connection with a rights offering (the "Offering") of Petrowest Energy Services Trust (the "Trust") on May 13, 2010, the Corporation was issued 1,903,452 warrants in the Trust, allowing the Corporation to acquire one Unit for each warrant held. The warrants were exercisable at a price of $0.1879 per warrant, with an expiry date at the end of business on June 29, 2011. The estimated fair value attributable to the warrants at the time of issue was determined using the Black-Scholes pricing model, assuming a life of 1 year, 150% volatility, and an average risk free rate of 1%.

During the year ended March 31, 2012, the Corporation exercised all 1,903,452 warrants for an exercise price of $357,659. The Corporation accounts for its investment in the Trust as an available-for-sale financial asset, and is remeasured at fair value each reporting period. As at March 31, 2012, the fair value of the Units were $513,932.

During the year, the Corporation received a claims notice and an indemnity notice from Powell, claiming a total of approximately $8,500,000 in damages related to the APAs (the "Powell Claim"). After reviewing the Powell Claim, the Corporation filed a dispute notice, and an objection to the claims notice, in dispute of the entire amount of the Powell Claim. As part of the Powell Claim, Powell has issued a claim against the escrow funds of $1,000,000.

On July 11, 2011, a statement of claim was filed in relation to the Powell Claim, claiming damages of $9,000,000. On August 17, 2011, the Corporation filed a statement of defense in dispute of the entire amount of the claim. The likelihood of proceeding to litigation, the quantification of settlement, and the realization of the escrow funds are uncertain at this time.

QUARTERLY INFORMATION AND FOURTH QUARTER CONSOLIDATED RESULTS

The following table sets forth selected quarterly information for the Corporation for the past eight quarters:

$ thousands, except per share data	**Mar 31, 2012**	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011
Earnings (loss) from continuing operations	**$ (56)**	$ (179)	$ (94)	$ (93)
Earnings (loss) per share from continuing operations, basic and diluted	**0.00**	0.00	0.00	0.00
Earnings (loss) from discontinued operations	**-**	-	-	-
Earnings (loss) per share from discontinued operations, basic and diluted	**0.00**	0.00	0.00	0.00
Per share distribution as a special dividend	**-**	-	-	-
Per share distribution as a return of capital	**-**	-	-	-

$ thousands, except per share data	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010
Earnings (loss) from continuing operations	$ 243	$ (26)	$ (151)	$ (184)
Earnings (loss) per share from continuing operations, basic and diluted	0.00	0.00	0.00	0.00
Earnings (loss) from discontinued operations	79	-	$ (509)	$ (63)
Earnings (loss) per share from discontinued operations, basic and diluted	0.00	0.00	(0.01)	0.00
Per share distribution as a special dividend	-	-	-	-
Per share distribution as a return of capital	-	0.04	-	-

The Corporation's results may vary between periods due to a number of factors, including the disposal of substantially all of the Corporation's assets on December 15, 2009 and the corresponding reclassification to discontinued operations, and as a result of the timing of settlement of various adjustments under the terms of the APAs. As the Corporation currently has no ongoing business operations, the historical results and special distributions should not be used as predictive indicators for future expectations.

TOTAL ASSETS AND LIABILITIES

At March 31, 2012, total assets were $7,570,000; down from $8,222,000 at March 31, 2011, resulting primarily from general and administrative costs incurred to manage the Corporation, costs pursuant to the terms of the APAs, and costs incurred to defend the Powell Claim. Almost all of the assets as at March 31, 2012 are in the form of cash, cash equivalents, or funds held in escrow pursuant to the terms of the APAs. The Corporation continues to manage the cash in a conservative manner. Total liabilities as at March 31, 2012 were $92,000, which is comprised of accounts payable. No accrual has been made for potential purchase price adjustments, or other ongoing expenses required to maintain the Corporations existence as a reporting issuer.

LIQUIDITY AND CAPITAL RESOURCES

Currently the Corporation's assets are primarily in cash and are invested in short term, low risk, interest bearing investments with a Canadian Financial Institution.

OUTSTANDING SHARE DATA

As at March 31, 2012, and the date hereof, the Corporation had 72,323,254 common shares outstanding. As at March 31, 2012, and the date hereof, PetroCorp had stock options outstanding to purchase 330,000 common shares.

OFF-BALANCE SHEET ARRANGEMENTS

PetroCorp Group Inc. has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

There are $12,000 (nil – 2011) in related party balances outstanding at March 31, 2012. A total of $53,000 ($80,000 – 2011) in consulting fees were paid to related parties for the year ended March 31, 2012.

OUTLOOK

The Corporation has no operating business at this time and it is operating at minimum levels. The intent is to determine the actual financial position of the Corporation when all closing thresholds from the APAs are complete. Provision for taxes and potential distributions are all subject to the final closing proceeds from the APAs.

The Corporation has put in place a management team to manage the ongoing business of the Corporation, including monitoring the Corporation's rights and obligations under the APAs, managing the litigation process, preparing and filing tax returns, and preparing the documentation required to maintain the Corporation's status as a reporting issuer. The Board of Directors will finalize the plans of the Corporation after the proceeds from the Transaction, the taxes and ongoing obligations of the Corporation can reasonably be determined. A portion of the proceeds from the Transaction could not be payable for up to 25 months from the closing, during which time the Corporation had to maintain its existence. Due to the Powell Claim, it is now uncertain as to the timing and nature of future plans.

CRITICAL ACCOUNTING ESTIMATES

In preparing the Consolidated Financial Statements, management is required to make certain assumptions and estimates that affect the reported amounts of the Corporation's operating results and financial condition. The actual results may differ from the estimates that were reported in previous periods. The following is included in the MD&A to assist the reader in assessing the critical accounting policies and practices of the Corporation, as well as aid the reader in assessing the likelihood of materially different results being reported depending on management's assumptions and changes in prevailing conditions which affect the application of these policies and practices. Significant accounting policies are disclosed in Note 4 of the March 31, 2012 annual Consolidated Financial Statements.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Corporation performs ongoing monitoring of the operations of the businesses sold to Powell under the APAs. The Corporation is potentially financially responsible for receivables that remain outstanding after a defined period of time elapses, under the terms of the APAs.

FAIR VALUES OF STOCK OPTIONS AND WARRANTS

Determining the fair value of stock options and warrants also requires significant judgement. Management estimates the fair value using the Black-Scholes pricing model.

SUBSEQUENT EVENTS

There are no subsequent events.

CHANGES IN ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards ("IFRS")

IFRS replaces Canada's Generally Accepted Accounting Principles ("GAAP") for all publicly accountable profit oriented enterprises for financial periods beginning January 1, 2011. The adoption date of January 1, 2011 requires the restatement, for comparative purposes, of 2010 amounts reported by the Corporation, including the opening statement of financial position as at April 1, 2010. The condensed interim financial statements for the first quarter of 2011 were the Corporation's first financial statements prepared in accordance with IFRS, including IAS 34 and IFRS 1. The Corporation's IFRS accounting policies are provided in notes 3 to 6 of the March 31, 2012 audited financial statements.

Subject to certain transition elections disclosed in Note 6, the Corporation has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 6 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's financial statements for the year ended March 31, 2011.

There were no reconciling items of equity or comprehensive income as at March 31, 2012, March 31, 2011 and April 1, 2010 as previously reported under Canadian GAAP to IFRS. The main differences between Canadian GAAP and IFRS were assessed by the Corporation and are explained in note 6 (b) to the audited financial statements. The adoption of IFRS did not have a material impact on the amounts reported.

The policies applied in the consolidated, audited financial statements are based on IFRS issued and outstanding as of July 24, 2012, the date the Board of Directors approved the statements.

FUTURE ACCOUNTING POLICIES

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 2013, with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

IFRS 9 *Financial Instruments,* was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

This standard is required to be applied for periods beginning on or after January 1, 2015, with earlier adoption permitted.

IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

There have been amendments to existing standards, including **IAS 27, *Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures*** (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

BUSINESS RISKS

The Corporation operates as a holding company and therefore has minimal ongoing business risk. The largest risk is that it may not receive the maximum funds possible pursuant to the APAs due to the various purchase price adjustment mechanisms as defined in the APAs and related documents. The Corporation is subject to specific representations and warranties under the terms of the APAs with Powell. A claim has been filed with respect to these representations and warranties, as noted in the Highlights of the Year Ended March 31, 2012 section above, and reiterated below.

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On July 11, 2011, a statement of claim was filed in relation to the Powell Claim claiming damages of $9,000,000. On August 17, 2011, the Company filed a statement of defense in dispute of the entire amount of the claim. Based on the information available, the Company and its advisors have determined that it is not currently practicable to assess the likelihood of proceeding to litigation, the quantification of settlement, if any, and the realization of the escrow funds. To date, the Company has made no accrual with respect to the Powell Claim.

ADDITIONAL INFORMATION

Additional information relating to PetroCorp Group Inc. may be found on the SEDAR website by visiting www.sedar.com.