PetroCorp Group Inc.
Consolidated Financial Statements

For the six months ended September 30, 2012
(unaudited)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, part 4, subsection 4.3(3)(a); if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditors.

Contents

PetroCorp Group Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)

Three and six months ended September 30

(unaudited, $ thousands, except share and per share amounts)	**Three months ended September 30**		**Six months ended September 30**	
	2012	2011	**2012**	2011
Revenue	**-**	-	**-**	-
Expenses				
General and administrative expenses	**$ 146**	$ 105	**$ 217**	$ 213
Interest expense (income)	**(13)**	(11)	**(23)**	(26)
	133	94	**194**	187
Net loss before other items	**$ (133)**	$ (94)	**$ (194)**	$ (187)
Gain on disposal of investments (Note 6)	**366**	-	**366**	-
Net income (loss)	**$ 233**	$ (94)	**$ 172**	$ (187)
Other comprehensive loss, net of tax:				
Fair value change on investment (Note 6)	**(22)**	(228)	**(136)**	(245)
Comprehensive income (loss)	**$ 211**	$ (322)	**$ 36**	$ (432)
Earnings (loss) per share from continuing operations:				
Basic and diluted	**$ -**	$ -	**$ -**	$ (0.01)
Earnings (loss) per share from discontinued operations:				
Basic and diluted	**$ -**	$ -	**$ -**	$ -
Weighted average number of common shares outstanding:				
Basic and diluted	**72,323,254**	72,323,254	**72,323,254**	72,323,254

See accompanying notes to the interim consolidated financial statements

PetroCorp Group Inc.
Consolidated Statements of Changes in Equity
Six months ended September 30

(unaudited, $ thousands)	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
Balance, March 31, 2012	$ 9,844	$ 8,065	$ (10,567)	$ 136	$ 7,478
Net income (loss) for the period	-	-	172	-	172
Other comprehensive loss for the period	-	-	-	(136)	(136)
Share-based compensation expense	-	-	-	-	-
Balance, September 30, 2012	$ 9,844	$ 8,065	$ (10,395)	$ -	$ 7,514
Balance, March 31, 2011	$ 9,844	$ 8,063	$ (10,145)	$ 333	$ 8,095
Net income (loss) for the period	-	-	(187)	-	(187)
Other comprehensive loss for the period	-	-	-	(245)	(245)
Share-based compensation expense	-	1	-	-	1
Balance, September 30, 2011	$ 9,844	$ 8,064	$ (10,332)	$ 88	$ 7,664

PetroCorp Group Inc.
Consolidated Statements of Financial Position

(unaudited, $ thousands)	**September 30 2012**	March 31 2012
Assets		
Current		
Cash and cash equivalents	**$ 6,562**	$ 6,026
Funds held in escrow (Note 5)	**1,000**	1,000
Investments (Note 6)	**-**	514
Accounts receivable	**8**	2
Income tax recoverable	**28**	28
Future tax asset	**20**	-
	$ 7,618	$ 7,570
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 104**	$ 92
Shareholders' Equity		
Share capital (Note 7)	**9,844**	9,844
Contributed surplus (Note 8)	**8,065**	8,065
Deficit	**(10,395)**	(10,567)
Accumulated other comprehensive income	**-**	136
	7,514	7,478
	$ 7,618	$ 7,570

Basis of presentation (Notes 2 and 3)
Contingent liabilities (Note 11)

On behalf of the Board

(signed) ***"Larry Patriquin"*** Director (signed) ***"Martin Bernholtz"*** Director

PetroCorp Group Inc.
Consolidated Statements of Cash Flows
Three and six months ended September 30

(unaudited, $ thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Six months ended September 30 2012	Six months ended September 30 2011
Operating				
Net income (loss) for the period	**$ 233**	$ (94)	**$ 172**	$ (187)
Income (loss) from continuing operations	**233**	(94)	**172**	(187)
Items not affecting cash:				
Stock based compensation	**-**	-	**-**	1
Gain on disposal of investments	**(366)**	-	**(366)**	-
Changes in non-cash working capital items:				
Decrease (increase) in accounts receivable	**(4)**	(3)	**(6)**	34
Increase (decrease) in accounts payable	**62**	(49)	**12**	(61)
Cash used in operating activities	**(75)**	(146)	**(188)**	(213)
Investing				
Exercise of warrants	**-**	-	**-**	(358)
Proceeds on disposal of investments	**724**	-	**724**	-
Cash used in investing activities	**724**	-	**724**	(358)
Financing				
Cash provided by (used in) financing activities	**-**	-	**-**	-
Net increase (decrease) in cash and cash equivalents	**649**	(146)	**536**	(571)
Cash and cash equivalents				
Beginning of period	**5,913**	6,359	**6,026**	6,784
End of period	**$ 6,562**	$ 6,213	**$ 6,562**	$ 6,213
Supplemental cash flow information				
Interest paid	**-**	-	**-**	-
Income taxes paid	**-**	$ 52	**-**	$ 52
Purchase of assets under capital leases	**-**	-	**-**	-

1. Nature of operations

PetroCorp Group Inc. (the "Company") was incorporated under the Alberta Business Corporations Act on March 25, 1993. On December 15, 2009, the Company sold its operating business through a sale of substantially all of its assets and liabilities (see Note 5), and as a result, does not have an operating business at this time.

2. Liquidation basis

As the Company disposed of its operating business and has no continuing operations, it changed the basis of preparing its financial statements from the going concern basis to the liquidation basis during the period ended March 31, 2012 as required by International Accounting Standard ("IAS") 1. As a result, the interim financial statements for the period ended September 30, 2012 and the annual audited 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 presented 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.

3. Basis of preparation

These interim condensed consolidated financial statements for the quarter ended September 30, 2012, have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's March 31, 2012, annual consolidated financial statements.

The accounting policies adopted in the preparation of the Company's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2012.

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's March 31, 2012, annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on October 30, 2012.

4. New standards not yet adopted and interpretations issued but not yet effective

There are no changes in accounting standards applicable to future periods other than as discussed in the most recent annual financial statements as at the end of the year ended March 31, 2012.

5. Discontinued operations

The Company's former business operations included: electrical and instrumentation construction; electrical and instrumentation maintenance; valve services; and electrical equipment manufacturing, through the consolidated operations, after the elimination of intercompany transactions and balances, of the Company (operating as PowerComm Inc.), its wholly owned subsidiaries; Redhill Systems Ltd. ("Redhill"), Concorde Metal and Manufacturing ("Concorde"), Nextron Corporation ("Nextron"), 80% of Heat Trace Canada Ltd. ("Heat Trace"), PCG Technical Services Inc. ("PCG"), PCG Northern Services Inc. ("PCG Northern"), and its joint venture interests of 50% of PowerComm KO LLP ("PCKO") and 49% of PowerComm-Tron Electric Joint Venture ("PowerComm-Tron").

On October 21, 2009, the Company signed an agreement to sell substantially all of the assets of the Company (the "Asset Sale") and its affiliates to Powell Industries Inc. ("Powell") for total cash consideration of up to $33.5 million, subject to adjustments, including $22.5 million payable on closing, $3.0 million held in escrow payable over a period of twenty-five months and up to $8.0 million payable based on PowerComm operations achieving specified performance and earn-out thresholds for the twelve months ending March 31, 2010. On December 15, 2009, the shareholders of the Company approved the Asset Sale, and the transaction closed with an effective date, as at that same date. The sale of the Company's joint venture interest in PowerComm KO LLP ("PCKO") was awaiting regulatory approval, and accordingly was unable to close pending approval by the Kazakhstan government.

Effective December 13, 2009, the Company amalgamated with Redhill and Nextron for tax planning purposes. On December 16, 2009, the Company changed its name from PowerComm Inc. to PetroCorp Group Inc., and on December 17, 2009, Concorde and PCG changed names to 1198073 Alberta Ltd. and 1444297 Alberta Ltd. respectively.

On closing, proceeds of $19.6 million were received by the Company, with an additional $5.9 million dollars paid by Powell into escrow, to be released after specific time periods are met, and conditions are satisfied. Of the escrow funds, $2.5 million was payable upon the closing of the sale of the interest in PCKO; $3.0 million was held in escrow for possible claims by Powell and releasable in stages over a period of 25 months; and $0.4 million was held in escrow as security on credit cards during a transitional period. Powell also assumed certain liabilities of the Company including bank debt, accounts payable and obligations under capital leases of approximately $26.4 million.

The sale of the joint venture interest in PCKO closed effective April 1, 2010. Conditions were removed and consideration of $2.5 million was released from escrow on June 1, 2010. The disposition of the joint venture interest in PCKO had been reflected at March 31, 2010, and was included in discontinued operations.

The above transaction was measured at the exchange amount and resulted in a gain at March 31, 2010 of approximately $8.6 million, net of expenses, and known purchase price adjustments related to the transaction. This was based on total proceeds of $51.9 million ($25.5 million in cash, plus $26.4 million in debt and liabilities assumed by Powell), less $39.6 million in assets sold to Powell, less adjustments of $2.5 million, less closing costs of $1.2 million.

During the year ended March 31, 2011, the Company had paid Powell $0.5 million in settlement of a net asset purchase price adjustment pursuant to the Asset Sale related to the close of PCKO. In addition, the deferred purchase price payment pursuant to the Asset Sale between the Company and Powell was settled. The Asset Sale provided for a deferred purchase price payment of up to $8.0 million contingent on the operations of the Company sold to Powell achieving specified performance thresholds, which thresholds were not met. Accordingly, there are no proceeds owing to the Company relating to deferred purchase price payments.

A further $0.4M was released from escrow, as security on the credit cards were discharged, and $0.5 million in funds were released from escrow and received by the Company during the year ended March 31, 2011 in accordance with the terms of the Asset Sale. As at September 30, 2012, of the original $5.9 million placed into escrow, only $1.0 million remains in escrow, which was to be released on January 15, 2012, subject to adjustments and in accordance with the terms of the Asset Sale (see Note 11).

All of the operations, and substantially all of the assets and liabilities of the Company were disposed of, as part of this transaction. Excluded assets and liabilities were defined as part of the Asset Purchase Agreement, and accordingly remain as assets and obligations of the Company.

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

6. Investments

On May 13, 2010 the Company entered into a stand-by purchase agreement (the "Stand-By Agreement") in connection with a rights offering (the "Offering") for PetroWest Energy Services Trust (the "Trust"). Pursuant to the Stand-By Agreement, the Company agreed to purchase a minimum of $1.5 million of units of the Trust (the "Units") and up to a maximum of $2.5 million of Units. The Company was acting as part of a total stand-by commitment for $7.5 million of Units not otherwise subscribed for under the Offering. On June 29, 2010, the Offering closed, with the Company fully subscribing for its $2.5 million commitment, for 17,857,143 Units in the Trust. The Company accounted for its investment in the Trust as an available-for-sale financial asset.

The Units were distributed to the Company shareholders of record on December 15, 2010, as a return of capital distribution. The fair market value of the Units was determined to be $2,857 ($0.16 per Unit), based on the five day trading average to December 15, 2010. Excluding costs and professional fees, a gain of $357 was recognized by the Company in 2011 as a result of this distribution.

In addition to the Units, and as consideration for participating in the Stand-By Agreement, the Company was issued 1,903,452 warrants in the Trust, allowing the Company 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 Company exercised all 1,903,452 warrants for a total exercise price of $358. The Company accounted for its investment in the Trust as an available-for-sale financial asset that was remeasured at fair value each reporting period.

During the quarter ended September 30, 2012, the Company disposed of its investment in the Trust for $724, for a net gain of $366.

(unaudited, $ thousands, except share data and per share amounts)

7. Share capital

a) Authorized

Unlimited number of common shares without nominal or par value
Unlimited number of preferred shares, issued in series – none issued

Issued and outstanding – common shares

	September 30, 2012			March 31, 2012		
	Number of shares		**Amount**	Number of shares		Amount
Balance, beginning of period	**72,323,254**	**$**	**9,844**	72,323,254	$	9,844
Activity during the period	**-**		**-**	-		-
Balance, end of period	**72,323,254**	**$**	**9,844**	72,323,254	$	9,844

b) Stock option plan

On August 15, 2006, the Company established a stock option incentive plan for certain directors, executive officers, employees and consultants. The number of shares reserved for issuance under the stock option plan shall not exceed 10,500,000 shares and the number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares of the Company. Options granted to employees, officers, directors and consultants have vesting dates ranging from immediately to three years, with portions vesting evenly throughout the term. Stock options expire from three to five years from the grant date.

A summary of the status and changes in the Company's stock options for the periods presented are as follows, for the periods ended:

	September 30, 2012			March 31, 2012		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Options outstanding at beginning of period	**330**	**$**	**0.35**	3,105	$	0.49
Granted	**-**		**-**	-		-
Exercised	**-**		**-**	-		-
Forfeited	**-**		**-**	(2,775)		0.50
Options outstanding at end of period	**330**	**$**	**0.35**	330	$	0.35
Options exercisable at end of period	**330**	**$**	**0.35**	330	$	0.35

	Options outstanding			Options exercisable		
Exercise prices	Number outstanding at September 30, 2012 (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number exercisable at September 30, 2012 (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)
C$0.30-0.44	330	0.5	0.35	330	0.5	0.35

For stock options granted the Company records compensation expense using the fair value method. Fair values are determined using the Black-Scholes pricing model. Compensation costs are recognized over the vesting period as an increase to stock based compensation expense and contributed surplus. When stock options are subsequently exercised, the fair-value of such stock options in contributed surplus is credited to share capital.

8. Contributed surplus

	September 30, 2012	March 31, 2012
Balance, beginning of period	**$ 8,065**	$ 8,063
Stock based compensation, recognition of fair value of stock options granted	**-**	2
Balance, end of period	**$ 8,065**	$ 8,065

9. Management of capital

The Company's objectives in managing capital, is to preserve cash in the most conservative manner possible in low risk, interest bearing investments, to meet potential upcoming expenditures.

The Company defines capital as its shareholders' equity. The Company manages its capital structure and adjusts it in light of economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares or obtain new debt. Subsequent to the Asset Sale, all debts not assumed by Powell, were discharged and security released. As of March 31, 2011 the Company no longer had any debt facilities.

(unaudited, $ thousands, except share data and per share amounts)

10. Related party transactions

Due (to) from related parties

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

	September 30, 2012	September 30, 2011
Expenses:		
Consulting fees reported in general and administrative expenses	**$ 24**	$ 20

There is $12 payable to related parties, included with accounts payable as at September 30, 2012 ($12 – March 31, 2012)

11. Contingent liabilities

During the year ended March 31, 2012, the Company received a claims notice and an indemnity notice from Powell, claiming a total of approximately $8,541 in damages related to the Asset Sale (the "Powell Claim"). After reviewing the Powell Claim, the Company has 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.

On July 11, 2011, a statement of claim was filed in relation to the Powell Claim claiming damages of $9,000. 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 probability of proceeding to litigation, the quantification of settlement, if any, and the realization of the escrow funds. Therefore, as at September 30, 2012, the Company has made no accrual for potential settlement costs with respect to the Powell Claim.

The Company is party to additional claims and suits which may be brought against it in the ordinary course of business that are not expected to have a significant impact on the Company, either individually or in aggregate.

12. Financial instruments

Financial instruments consist of recorded amounts of cash and cash equivalents, accounts receivable, investments, and accounts payable and accrued liabilities.

a) Fair value

The Company has determined that the carrying amount of financial instruments included in working capital is a reasonable approximation of fair value due to the short-term nature of these items.

b) Credit risk

Credit risk arises from the potential that a counterparty will cause a financial loss by failing to discharge an obligation. The Company is exposed to credit risk through its cash and accounts receivable, funds held in escrow which are subject to specific terms of the Asset Sale, and cash equivalents. The Company deposits its cash with a major Canadian bank. The Company assesses its credit risk on a regular basis and records an allowance to provide for anticipated credit losses.

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have transactions in foreign currency and therefore reduces its exposure to foreign currency risk.

d) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to nominal interest rate risk arising from fluctuations in interest rates on its cash balances. Accounts receivable and accounts payable and accrued liabilities bear no interest.

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities which are due within one year of the balance sheet date. The Company has sufficient liquidity to meet its current obligations as they come due. However, the Company is party to a claims notice, indemnity notice, and a statement of claim for an amount in excess of the total assets of the Company.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the current presentation.