PetroCorp Group Inc.
Consolidated Financial Statements

March 31, 2013 and 2012

Contents

July 23, 2013

Independent Auditor's Report

To the Shareholders of
PetroCorp Group Inc.

We have audited the accompanying consolidated financial statements of PetroCorp Group Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2013 and March 31, 2012 and the consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PetroCorp Group Inc. and its subsidiaries as at March 31, 2013 and March 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements, which refers to management's conclusion that PetroCorp Group Inc. has no significant continuing operations and will not continue as a going concern. These consolidated financial statements have therefore been prepared using a liquidation basis of accounting.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

PetroCorp Group Inc.
Consolidated Statements of Operations and Comprehensive Loss
Years ended March 31

($ thousands, except share and per share amounts)	**2013**	2012
Revenue	**-**	-
Expenses		
General and administrative expenses	**$ 479**	$ 483
Interest income	**(90)**	(56)
	389	427
Net gain on disposal of investment (Note 5)	**(366)**	-
Income tax expense (recovery)	**20**	(5)
Loss from operations	**(43)**	(422)
Loss from settlement of legal claim (Note 6)	**(1,750)**	-
Net loss	**$ (1,793)**	$ (422)
Other comprehensive loss, net of tax:		
Fair value change on investment (Note 5)	**(136)**	(197)
Comprehensive loss	**$ (1,929)**	$ (619)
Loss per share:		
Basic and diluted	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding:		
Basic and diluted	**72,323,254**	72,323,254

PetroCorp Group Inc.
Consolidated Statements of Changes in Equity
Years ended March 31, 2013 and 2012

($ thousands)	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
Balance, April 1, 2012	$ 9,844	$ 8,065	$ (10,567)	$ 136	$ 7,478
Net loss for the year	-	-	(1,793)	-	(1,793)
Other comprehensive loss for the year	-	-	-	(136)	(136)
Share-based compensation expense	-	-	-	-	-
Balance, March 31, 2013	$ 9,844	$ 8,065	$ (12,360)	$ -	$ 5,549
Balance, April 1, 2011	$ 9,844	$ 8,063	$ (10,145)	$ 333	$ 8,095
Net loss for the year	-	-	(422)	-	(422)
Other comprehensive loss for the year	-	-	-	(197)	(197)
Share-based compensation expense	-	2	-	-	2
Balance, March 31, 2012	$ 9,844	$ 8,065	$ (10,567)	$ 136	$ 7,478

PetroCorp Group Inc.
Consolidated Statements of Financial Position

($ thousands)	March 31, 2013	March 31, 2012
Assets		
Current		
Cash and cash equivalents	**$ 5,675**	$ 6,026
Funds held in escrow (Note 6)	**-**	1,000
Investments (Note 5)	**-**	514
Accounts receivable	**7**	2
Income tax recoverable	**-**	28
	5,682	7,570
	$ 5,682	$ 7,570
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 133**	$ 92
Income taxes payable	**-**	-
	133	92
Deferred tax liability	**-**	-
	133	92
Shareholders' Equity		
Share capital (Note 7)	**9,844**	9,844
Contributed surplus (Note 8)	**8,065**	8,065
Deficit	**(12,360)**	(10,567)
Accumulated other comprehensive income	**-**	136
	5,549	7,478
	$ 5,682	$ 7,570

Basis of presentation (Note 2)
Contingent liabilities (Note 13)
Subsequent events (Note 15)

On behalf of the Board

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

PetroCorp Group Inc.
Consolidated Statements of Cash Flows
Years ended March 31, 2013 and 2012

($ thousands)	2013	2012
Operating		
Net loss	**$ (1,793)**	$ (422)
Items not affecting cash:		
Stock based compensation	**-**	2
Deferred income taxes	**20**	39
Gain on distribution of investment	**(366)**	-
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	**(5)**	44
Increase in accounts payable and accrued liabilities	**41**	24
Increase (decrease) in income taxes recoverable (payable)	**28**	(87)
Cash used in operating activities	**(2,075)**	(400)
Investing		
Receipt of escrow funds (Note 6)	**1,000**	-
Exercise of warrants (Note 5)	**-**	(358)
Proceeds on disposal of warrants (Note 5)	**724**	-
Cash provided by (used in) investing activities	**1,724**	(358)
Financing		
Cash used in financing activities	**-**	-
Net decrease in cash and cash equivalents	**(351)**	(758)
Cash and cash equivalents		
Beginning of year	**6,026**	6,784
End of year	**$ 5,675**	$ 6,026
Supplemental cash flow information		
Interest paid	**-**	-
Income taxes paid	**-**	-
Purchase of assets under capital leases	**-**	-

See accompanying notes to the consolidated financial statements

1. Nature of operations

PetroCorp Group Inc. (the "Company") was incorporated under the Alberta Business Corporations Act on March 25, 1993. Its registered head office is 1600, 333 – 7th Avenue S.W., Calgary, Alberta. On December 15, 2009, the Company sold its operating business through a sale of substantially all of its assets and liabilities (the "Asset Sale"), and as a result, does not have an operating business at this time.

2. Basis of presentation

As the Company disposed of its operating business and has no continuing operations, it prepares its financial statements on the liquidation basis as required by International Accounting Standard ("IAS") 1. Should the Company not proceed with the liquidation of its net assets, it will revert to a going concern basis of presentation; however, the adoption of a going concern basis of presentation would not result in a change to the net assets of the Company.

These financial statements were approved by the Board of Directors for issue on July 23, 2013.

3. Summary of significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies.

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of measurement

These consolidated financial statements have been prepared using fair values.

Consolidation

These consolidated financial statements include the assets, liabilities and results of operations, after the elimination of intercompany transactions and balances, of the Company and its two inactive wholly owned subsidiaries; 1198073 Alberta Ltd. (formerly "Concorde Metal and Manufacturing"), and 1444297 Alberta Ltd. (formerly "PCG Technical Services Inc.").

Cash and cash equivalents

Cash and cash equivalents consist of cash held at banks and short-term, cashable Guaranteed Investment Certificates with maturities of three months or less.

Income taxes

Deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred tax assets, if any, are recognized only to the extent that in the opinion of management, it is probable that the deferred tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment based on rates that are expected to apply when the deferred tax asset or liability is settled.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company's financial instruments are classified as follows:

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature.

  Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less any provision for impairment.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade accounts payable and accrued liabilities. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

  Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

- Available for sale investments: Investments are classified as available for sale, are initially recognized at fair value plus transaction costs and subsequently carried at fair value. Subsequent revaluations are done at each reporting period. Gains and losses related to subsequent revaluations are recorded in other comprehensive income until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income should be recognized in net income for the period.

The Company reviews all assets, including financial instruments, for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Stock based compensation

The Company recognizes, at the grant date, the compensation cost of stock options granted to employees and directors, measured at fair value and expensed over the option vesting period, with a corresponding increase to contributed surplus. The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model.

Earnings per share

The computation of basic earnings per share has been calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share reflect the potential dilution that would occur if stock options were exercised. The Company uses the treasury method for outstanding options and warrants which assumes that all outstanding stock options with the exercise price below the average market prices are exercised and assumed proceeds are used to purchase the Company's common shares at the average market price during the reporting period. The net number of shares issued and purchased are included in the denominator for calculating diluted earnings per share as the total number of shares outstanding.

4. Accounting standards issued but not yet applied

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The following new or revised standards are not expected to have a material impact on the amounts recorded in the consolidated financial statements of the Company.

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.

5. 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, and was remeasured at fair value each reporting period.

During the year ended March 31, 2013, the Company disposed of its investment in the Trust for $724, for a net gain of $366.

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

6. Settlement of Legal Claim

During the year ended March 31, 2013, the Company settled a $9,000 litigation claim, for an alleged breach of representations and warranties under the terms of the Asset Sale, for $1,750. This claim was settled by the Company, by return of the $1,000 in proceeds remaining in escrow, and a one-time payment of $750 to the claimant. The Company received a full release of the claim, as well as any and all remaining terms, conditions and covenants of the Asset Sale, with the exception of any Non-Competition Agreements which may still be in force.

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

	March 31, 2013			March 31, 2012		
	Number of shares		**Amount**	Number of shares		Amount
Balance, beginning of year	**72,323,254**	**$**	**9,844**	72,323,254	$	9,844
Activity during the year:	**-**		**-**	-		-
Balance, end of year	**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.

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

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

	March 31, 2013			March 31, 2012		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Options outstanding at beginning of year	**330**	**$**	**0.35**	3,105	$	0.49
Granted	**-**		**-**	-		-
Exercised	**-**		**-**	-		-
Forfeited	**(330)**		**0.35**	(2,775)		0.50
Options outstanding at end of year	**-**		**-**	330	$	0.35
Options exercisable at end of year	**-**	**$**	**-**	330	$	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

		March 31, 2013		March 31, 2012
Balance, beginning of year	**$**	**8,065**	$	8,063
Stock based compensation, recognition of fair value of stock options granted		**-**		2
Balance, end of year	**$**	**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 the purchaser were discharged and security released. Since March 31, 2011, the Company no longer has any debt facilities.

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

10. Loss per share

The following table sets forth the computations of basic and diluted loss per share:

	2013	2012
Numerator for basic loss per share	**$ (1,793)**	$ (422)
Denominator for basic and diluted loss per share		
Weighted average number of common shares	**72,323,254**	72,323,254
Loss per share		
Basic and diluted	**(0.02)**	(0.01)

11. Income taxes

Income tax expense reconciliation

Income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective years' earnings before income taxes. These differences result from the following items:

	March 31, 2013 $	March 31, 2012 $
Expected income tax recovery at 25.0% (March 31, 2012 – 26.1%)	**$ (443)**	$ (112)
Increase (decrease) resulting from		
Income tax rate differences	**-**	(1)
Non-taxable portion of capital gains	**(46)**	-
Tax losses and other items for which no deferred income tax asset was recognized	**508**	124
Other	**1**	(16)
Income tax expense (recovery)	**$ 20**	$ (5)
Provision for income taxes		
Current (recovery)	**$ -**	$ (44)
Deferred (recovery)	**20**	39
Income tax expense (recovery)	**$ 20**	$ (5)

The decrease in the expected income tax rate is due to a previously enacted legislated decrease in the federal statutory corporate income tax rates from fiscal 2012 to 2013.

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

Deferred income tax assets/liabilities

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future tax years that are likely to be realized.

The tax effects of the temporary differences that give rise to the Company's deferred income tax assets and liabilities are as follows:

	March 31, 2013 $	March 31, 2012 $
Deferred income tax assets		
Non-capital losses carried forward	**$ -**	$ 20
Deferred charges and share issue costs	**-**	-
Deferred income tax liabilities		
Income from disposal of PCKO	**-**	-
Petrowest shares and warrants (Note 5)	**-**	(20)
	$ -	$ -

At March 31, 2013, the Company has recognized a deferred income tax asset of $nil (March 31, 2012 – $20) in respect of non-capital losses in the amount of $nil (March 31, 2012 – $78). The Company did not recognize deferred income tax assets of $nil (March 31, 2012 – $106) in respect of non-capital losses amounting to $615 (March 31, 2012 – $126). These non-capital losses of $2,433 (March 31, 2012 – $477) may be carried forward to use against future taxable income. The Company also has non-refundable investment tax credits amounting to $450 (March 31, 2012 – $450) that which may be carried forward to use against future federal income tax payable.

The non-capital losses and non-refundable investment tax credits will expire as follows:

	Non-capital loss carry-forwards $	**Federal investment tax credits $**
2026	$ -	$ 188
2027	-	118
2028	-	144
2032	477	-
2033	1,956	-
	$ 2,433	$ 450

12. 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 year:

	2013	2012
Expenses:		
Consulting and director fees reported in general and administrative expenses	**$ 41**	$ 53
Accounts Payable:		
Consulting and director fees reported in accounts payable and accrued liabilities	**$ 5**	$ 12

13. Contingent liabilities

The Company is party to 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.

14. 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.

15. Subsequent events

On May 13, 2013 a return of capital distribution was paid to the Company's shareholders of $0.06 per share, for a total distribution of $4,340.