PETROCORP GROUP INC.

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

FOR THE YEAR ENDED MARCH 31, 2013

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The following Management Discussion and Analysis ("MD&A") is based on the March 31, 2013 consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and is provided to assist readers in understanding the financial performance of PetroCorp Group Inc., ("PetroCorp" or the "Corporation") during the period(s) presented. This MD&A is dated July 23, 2013.

The following MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended March 31, 2013 and 2012.

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 has been 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, the financial statements for the year ended March 31, 2013 have been prepared using a liquidation basis of accounting. 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 will not result in a change to the net assets of the Company.

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 were met and conditions satisfied ($2.5 million held in escrow payable upon the closing of the sale of the Corporation's interest in the PCKO JV, $3.0 million held in escrow payable over a period of twenty-five months, and $0.4 million held in escrow as security on credit cards during a transitional period), and up to $8.0 million payable contingent on the operations of 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, 2013, all payments and adjustments related to the APAs have now been settled, and as a result of the Transaction the Corporation does not have any operating business at this time.

HIGHLIGHTS OF THE YEAR ENDED MARCH 31, 2013

The Corporation has been managed by two individuals, to defend the Powell Claim (as defined herein), 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. Two noteworthy events took place during the year ended March 31, 2013:

Disposition of Remaining Investment

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

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

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

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

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

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

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

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

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

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

Resolution of Powell Claim

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

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

CONSOLIDATED ANNUAL FINANCIAL RESULTS

The following table highlights specific consolidated financial results of the Corporation for the years ending March 31, 2013, 2012, and 2011:

($ thousands, except per share data)	**2013**	2012	2011
Revenue	**$ -**	$ -	$ -
Net loss, *before discontinued operations*	**(1,793)**	(422)	(118)
Net loss per share, *before discontinued operations*			
Basic and diluted	**(0.02)**	(0.01)	(0.00)
Net loss [1]	**(1,793)**	(422)	(611)
Net loss per share			
Basic and diluted	**(0.02)**	(0.01)	(0.01)
Total assets	**5,682**	7,570	8,222
Total non-current liabilities	**-**	-	-
Cash dividends declared	**-**	-	-
Cash dividends declared per share	**$ 0.00**	$ 0.00	$ 0.00

[1] See summary below for an enhanced break-down of annual results for March 31, 2013 and 2012.

The net loss, before discontinued operations, consists primarily of the net costs to manage and administer the obligations and requirements under the Transaction, and as a continuing reporting issuer.

Additional information on the specifics of the annual financial results for the years ended March 31, 2013 and 2012 are as follows:

($ thousands, except per share data)	**2013**	2012
Accounting and legal fees	**$ 301**	$ 223
Salaries and board compensation	**106**	133
Insurance	**44**	109
Other professional	**26**	15
Office, bank charges, and other costs	**2**	3
Total general and administrative expenses	**479**	483
Interest income	**(90)**	(56)
Net gain on disposal of investment	**(366)**	-
Income tax expense (recovery)	**20**	(5)
Settlement of Powell Claim	**1,750**	-
NET LOSS	**$ 1,793**	$ 422

As a result of the Transaction, the Corporation has no ongoing business. Activities and costs have focused on the following:

- Transaction settlement under the terms of the APAs, which includes defending the Powell Claim;
- Ongoing corporate and legal filing requirements, including maintenance as a reporting issuer; and
- Investigation of potential transactions and other alternatives for the corporate shell.

The costs identified above are reflective of these activities, although to date there have been relatively insignificant costs incurred on the investigation of potential transactions and other alternatives, due primarily to the Powell Claim.

Additional specific information on some of the more significant expenses (income) are as follows:

Accounting and Legal Fees

These expenses are primarily related to legal and other professional costs to manage, defend, and ultimately settle the claim. The increase in costs from March 31, 2012 to March 31, 2013 is dictated to the timing of activities on the claim itself, primarily as document review and production, examinations and the settlement discussions occurred largely during the year ended March 31, 2013. In addition, these costs include ongoing accounting, finance and legal support, annual audit and tax compliance fees, as well as any professional fees related to management and settlement of specific provisions under the APAs.

Salaries and Board Compensation

Expenses include board fees, CEO compensation, and related expenses.

Insurance

Insurance expenses include tail insurance policies as required under the terms of the APAs, as well as ongoing corporate policies. Under the terms of the APAs, tail policies were required for a period of three years from the close of the Transaction, and accordingly, no further tail coverage will be required after fiscal 2013. The reduction in expenses from the year ended March 31, 2012 to March 31, 2013, is the result of reduced premiums as tail policies were beginning to expire as they are no longer needed.

Other Professional

These expenses relate primarily to professional fees related to maintenance as a reporting issuer, and include items such as NEX, trust agent, press release, AGM and other fees.

Interest Income

Represents the interest earned on funds held in bank accounts, GIC's, and escrow accounts. The increase in interest revenue for the year ended March 31, 2013 is the result of the release of the last and final tranche of escrow funds and interest earned thereon from the Transaction, after the settlement of the Powell Claim.

Net Gain on Disposal of Investment

Refer to the Highlights of the Year Ended March 31, 2013 section.

Settlement of Powell Claim

Refer to the Highlights of the Year Ended March 31, 2013 section.

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, 2013**	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012
Earnings (loss) from continuing operations	**$ (129)**	$ (86)	$ 233	$ (61)
Earnings (loss) per share from continuing operations, basic and diluted	**0.00**	0.00	0.00	0.00
Loss from settlement of Powell Claim	**(1,750)**	-	-	-
Loss per share from settlement of Powell Claim	**0.02**	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, 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
Loss from settlement of Powell Claim	-	-	-	-
Loss per share from settlement of Powell Claim	0.00	0.00	0.00	0.00
Per share distribution as a special dividend	-	-	-	-
Per share distribution as a return of capital	-	-	-	-

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, 2013, total assets were $5,682,000; down from $7,570,000 at March 31, 2012, 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 and settle the Powell Claim, which were offset, in part, by the disposal of the investment in the Trust. Primarily all of the assets as at March 31, 2013 are in the form of cash, and cash equivalents. The Corporation continues to manage the cash in a conservative manner.

Total liabilities as at March 31, 2013 were $133,000, which is comprised of accounts payable. No accrual has been made for 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, 2013, and the date hereof, the Corporation had 72,323,254 common shares outstanding. As at March 31, 2013, and the date hereof, PetroCorp has no stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH 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

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 $4,339,395.

OUTLOOK

The Corporation has no operating business at this time and it is operating at minimum levels. 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. In the upcoming year, the Board of Directors will finalize the plans of the Corporation now that the proceeds from the Transaction, the taxes and ongoing obligations of the Corporation can reasonably be determined.

BUSINESS RISKS

The Corporation currently operates as a holding company and therefore has minimal business risk.

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. Significant accounting policies are disclosed in Note 3 of the March 31, 2013 annual Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to accounting policies for the year ended March 31, 2013. Significant accounting policies are disclosed in Note 3 of the March 31, 2013 annual Consolidated Financial Statements.

The policies applied in the consolidated, audited financial statements are based on IFRS issued and outstanding as of July 23, 2013, 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 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.

ADDITIONAL INFORMATION

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