PetroCorp Group Inc.
Consolidated Financial Statements

For the three months ended
September 30, 2013

(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.

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PetroCorp Group Inc.
Consolidated Statements of Operations and Comprehensive Loss
Three months ended September 30

	Three Months Ended		Six Months Ended	
(unaudited, $ thousands, except share and per share amounts)	**2013**	**2012**	**2013**	2012
Revenue		**-**		-
Expenses				
General and administrative expenses	**$ 20,000**	**$ 146,000**	**$ 80,000**	$ 71
Interest expense (income)		**(13,000)**	**(10,000)**	(10)
		133,000		61
Gain on Disposal of investments (note 6)		**366,000**		
Net (loss) for the period	**$ (20,000)**	**$ 233,000**	**$ (70,000)**	$ (61)
Other comprehensive loss, net of tax:				
Fair value change on investment		**(22,000)**		(114)
Comprehensive(loss) for the period	**$ (20,000)**	**$ 211,000**	**$ (70,000)**	$ (175)
Earnings (loss) per share from operations:	**$ -**	**$ -**	**$ -**	$ -
Basic and diluted				
Weighted average number of common shares outstanding:				
Basic and diluted	**82,323,254**	**72,323,254**	**82,323,254**	72,323,254

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

(unaudited, $ thousands)	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
Balance, March 31, 2013	$ 9,844,000	$ 8,065,000	$ (12,360,000)	$ -	$5,549,000
Net income (loss) for the period	-	-	(70,000)	-	(70,000)
Return of Capital Distribution	(5,555,000)				(5,555,000)
Other comprehensive loss for the period	-	-	-	-	-
Share Issuance	50,000				50,000
Return of capital distribution		-	-	-	
Balance, September 30, 2013	$4,339,000	$ 8,065,000	$ (12,430,000)	$ -	$ (26,000)
Balance, March 31, 2012	$ 9,844,000	$ 8,065,000	$ (10,567,000)	$ 136,000	$7,478,000
Net loss for the period	-	-	172,000	-	172,000
Other comprehensive loss for the period	-	-	-	(136,000)	(136,000)
Share-based compensation expense	-	-	-	-	-
Balance, September 30, 2012	$ 9,844,000	$ 8,065,000	$ (10,395,000)	$ -	$7,514,000

PetroCorp Group Inc.
Consolidated Statements of Financial Position

(unaudited, $ thousands)		**Sept 30 2013**	March31 2013
			(Audited)
Assets			
Current			
Cash and cash equivalents	**$**	**50,000**	$ 5,675,000
Accounts receivable		**1,000**	7,000
	$	**51,000**	$ 5,682,000
Liabilities			
Current			
Accounts payable and accrued liabilities	**$**	**77,000**	$ 133,000
Shareholders' Equity			
Share capital (Note 5)		**4,339,000**	9,844,000
Contributed surplus		**8,065,000**	8,065,000
Deficit		**(12,430,000)**	(12,360,000)
		(26,000)	5,549,000
	$	**51,000**	$ 5,682,000

Basis of presentation (Notes 2 and 3)
Contingent liabilities (Note 8)

PetroCorp Group Inc.
Consolidated Statements of Cash Flows
Six months ended September 30

(unaudited, $ thousands)	Three Month 2013	Three Month 2012	Six Month 2013	Six Month 2012
Operating				
Net Income (loss) for the period	**$ (20,000)**	**$ 233,000**	**$ (70,000)**	$ 172,000
Income from continuing operations	**(20,000)**	**233,000**	**(70,000)**	172,000
Items not affecting cash:				
Gain on Disposal of Investments		**-**		(366,000)
Changes in non-cash working capital items:				
Decrease (increase) in accounts receivable		**(4,000)**	**(6,000)**	(6,000)
Decrease in accounts payable	**10,000**	**62,000**	**(66,000)**	12,000
Cash used in operating activities		**(75,000)**		(188,000)
Investing				
Return of capital distribution	**(1,156,000)**		**(5,495,000)**	-
Cash used in investing activities				-
Proceeds on Disposal of Investments		**724,000**		724,000
Financing				
Cash provided by (used in) financing activities		**-**		-
Net decrease in cash and cash equivalents	**(1,166,000)**	**649,000**	**(5,625,000)**	536,000
Cash and cash equivalents				
Beginning of period	**1,216,000**	**5,913,00**	**5,675,000**	6,026,000
End of period	**$50,000**	**$6,562,000**	**$ 50,000**	$6,562,00
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. Liquidation basis

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.

3. Basis of preparation

These interim condensed consolidated financial statements for the quarter ended June 30, 2013, 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, 2013, 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, 2013.

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, 2013, annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on August 20, 2013.

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, 2013.

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

5. 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, 2013		March 31, 2013	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of period	**72,323,254**	**$ 9,844,000**	72,323,254	$ 9,844,000
Activity during the period:	**10,000,000**	**50,000**		
Issue of Common Shares				
Return of capital distribution	**-**	**(5,555,000)**	-	-
Balance, end of period	**82,323,254**	**$ 4,339,000**	72,323,254	$ 9,844,000

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, 2013		March 31, 2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**-**	**-**	330	$ 0.35
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	(330)	0.35
Options outstanding at end of period	**-**	**-**	-	-
Options exercisable at end of period	**-**	**-**	-	-

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.

6. 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. The Company has no debt facilities.

7. Related party transactions

Due to 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:

	Sept 30, 2013	June 30, 2012
Expenses:		
Consulting and director fees reported in general and administrative expenses	**$ 5**	$ 12

There were $5 in related party balances included with accounts payable as at June 30, 2013 ($5 – March 31, 2012)

8. 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.

9. 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 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. 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.

10. Subsequent events

On August 8, 2013 the Company declared a return of capital distribution of $0.0145 per share, for a total distribution of $1,049. This return of capital will be payable on August 21, 2013 to shareholders of record on August 19, 2013. The common shares will commence trading on a "due bills" basis on NEX effective from the opening on August 15, 2013 to and including the payment date: August 21, 2013. Sellers of the common shares on NEX from August 15, 2013 to and including August 21, 2013 will not be entitled to the distribution and any distribution payments received in accounts will be withdrawn. Holders including buyers on August 21, 2013 will be entitled to receive the distribution.