PetroCorp Group Inc.
Consolidated Financial Statements

March 31, 2011

Contents

PRICEWATERHOUSECOOPERS

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July 25, 2011

Independent Auditor's Report

To the Shareholders of
PetroCorp Group Inc.

We have audited the accompanying consolidated financial statements of PetroCorp Group Inc., which comprise the consolidated balance sheet as at March 31, 2011 and the consolidated statements of income (loss) and comprehensive income (loss), deficit, accumulated other comprehensive income, and cash flows for the year then ended, and the related notes, which are comprised of 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 Canadian generally accepted accounting principles, 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 audit. We conducted our audit 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 audit 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. as at March 31, 2011 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Accountants

Edmonton, Alberta

PetroCorp Group Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Years ended March 31

($ thousands, except share and per share amounts)	**2011**	2010
Revenue	**-**	-
Expenses:		
General and administrative expenses	**$ 959**	$ 237
Depreciation and amortization	**4**	3
Interest expense (income)	**(67)**	(8)
	896	232
Net gain on distribution of investment (Note 5)	**(357)**	-
Income tax recovery	**(421)**	-
Loss from continuing operations	**(118)**	(232)
Income (loss) from discontinued operations, net of tax (Note 4)	**(493)**	10,087
Net income (loss)	**(611)**	9,855
Other comprehensive income, net of tax:		
Fair value change on investment (Note 5)	**333**	-
Comprehensive income (loss)	**$ (278)**	$ 9,855
Loss per share from continuing operations:		
Basic and diluted	**$ 0.00**	$ 0.00
Earnings (loss) per share from discontinued operations:		
Basic and diluted	**$ (0.01)**	$ 0.14
Weighted average number of common shares outstanding:		
Basic and diluted	**72,323,254**	72,323,254

PetroCorp Group Inc.
Consolidated Statements of Deficit
Years ended March 31

($ thousands)	**2011**	2010
Deficit, beginning of year	**$ (9,534)**	$ (11,433)
Net income (loss)	**(611)**	9,855
Dividends	**-**	(7,956)
Deficit, end of year	**$ (10,145)**	$ (9,534)

PetroCorp Group Inc.
Consolidated Statements of Accumulated Other Comprehensive Income
Years ended March 31

($ thousands)	**2011**	2010
Accumulated other comprehensive income, beginning of year	**$ -**	$ -
Fair value change on investments, net of tax	**690**	-
Gain on disposal of investment recognised in income	**(357)**	-
Other comprehensive loss arising from unrealized loss on translation of self-sustaining foreign operations, net of tax	**-**	(31)
Other comprehensive loss from discontinued operations (Note 4)	**-**	31
Accumulated other comprehensive income, end of year	**$ 333**	$ -

PetroCorp Group Inc.
Consolidated Balance Sheets
As at March 31

($ thousands)		2011		2010
Assets				
Current				
Cash and cash equivalents	**$**	**6,784**	$	7,804
Funds held in escrow (Note 4)		**1,000**		4,648
Investments (Note 5)		**383**		-
Accounts receivable		**46**		40
Current assets of discontinued operations (Note 4)		**-**		32
Future tax asset (Note 10)		**9**		-
		8,222		12,524
Funds held in escrow (Note 4)		**-**		1,000
Equipment		**-**		19
	$	**8,222**	$	13,543
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**68**	$	1,785
Income taxes payable		**59**		170
Current liabilities of discontinued operations (Note 4)		**-**		362
		127		2,317
Shareholders' Equity				
Share capital (Note 6)		**9,844**		12,701
Contributed surplus (Note 7)		**8,063**		8,059
Deficit		**(10,145)**		(9,534)
Accumulated other comprehensive income		**333**		-
		8,095		11,226
	$	**8,222**	$	13,543

Going concern (Note 2)
Contingent liabilities (Note 12)
Commitments (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

($ thousands)	**2011**	2010
Operating		
Net income (loss)	**$ (611)**	$ 9,855
Income (loss) from discontinued operations, net of tax	**(493)**	10,087
Loss from continuing operations	**(118)**	(232)
Items not affecting cash:		
Amortization of equipment	**4**	3
Stock based compensation	**4**	-
Income tax recovery	**(421)**	-
Gain on distribution of investment	**(357)**	-
Cash used in operating activities	**(888)**	(229)
Investing		
Disposal (purchase) of property, plant & equipment	**15**	(22)
Cash provided by (used in) investing activities of continuing operations	**15**	(22)
Cash provided by investing activities of discontinued operations	**2,353**	15,406
Cash provided by (used in) investing activities	**2,368**	15,384
Financing		
Proceeds on issuance of share capital	**-**	15
Return of capital distribution	**(2,500)**	-
Payment of dividends	**-**	(7,956)
Cash provided by (used in) financing activities	**(2,500)**	(7,941)
Net increase (decrease) in cash and cash equivalents	**(1,020)**	7,214
Cash and cash equivalents		
Beginning of year	**7,804**	590
End of year	**$ 6,784**	$ 7,804
Supplemental cash flow information		
Interest paid	**-**	$ 230
Income taxes paid	**$ 47**	-
Purchase of assets under capital leases	**-**	$ 78

See accompanying notes to the consolidated financial statements

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

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 4), and as a result, does not have an operating business at this time.

2. Going concern

These financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future. At March 31, 2011, the Company had no ongoing business operations, and subsequent to March 31, 2011, the Company is party to a claims notice, an indemnity notice, and a statement of claim for an amount in excess of the total assets of the Company (see Note 15). As a result, there is significant doubt as to the ability of the Company to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon the resolution of these claims. Realization values may be substantially different from carrying values shown and these financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities, should the Company be unable to continue as a going concern. Such adjustments may be material.

3. Summary of significant accounting policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and reflect the following significant accounting policies:

Basis of presentation

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 consists of cash held at banks and short-term, cashable Guaranteed Investment Certificates.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization rates are as follows:

Computer equipment	30%, declining balance
Office furniture and equipment	20%, declining balance

Impairment of long-lived assets

Impairment of non-monetary long-lived assets, including property, plant and equipment, is recognized when the carrying amount of an asset may not be recoverable. Recoverability is determined by comparing the carrying amount of the asset to the undiscounted future cash flows expected from the use and eventual disposition of the asset. Should the carrying amount exceed the undiscounted cash flows, then the impairment measurement is calculated as the difference between the fair value of the asset and the carrying amount.

Income taxes

Income taxes have been accounted for using the liability method of tax allocation. Under this method, future 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. These are measured using the substantively enacted tax rates, regulations and laws of the tax jurisdiction that will be in effect when the differences are expected to reverse. In assessing whether the future tax assets should be recognized for accounting purposes, management considers whether it is more likely than not that some portion or all the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Financial instruments

The Company's cash and cash equivalents are classified as financial assets held for trading and are measured at fair value. Gains and losses related to subsequent revaluations are recorded in net earnings. Accounts receivable are classified as loans and receivables and are initially measured at fair value with subsequent measurement at amortized cost. All accounts receivable bad debts are charged to selling, general and administrative expenses. Investments are classified as available for sale and 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. Accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value with subsequent measurement at amortized cost.

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 plan

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. The policy is the same for grants relating to warrants.

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 and warrants were exercised. The Company uses the treasury method for outstanding options and warrants which assumes that all outstanding stock options and warrants 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.

Use of estimates

In preparing the consolidated financial statements within conformity of Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of earnings during the year. The most significant estimates included in these consolidated financial statements are the allowance for bad debts; useful lives of property, plant and equipment; future income taxes; accrued liabilities and the fair value of stock based compensation. Actual results could differ from these estimates.

4. 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 included in discontinued operations.

The above transaction has been measured at the exchange amount and resulted in a gain, as 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 has 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.

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

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 March 31, 2011, of the original $5.9 million placed into escrow, only $1.0 million remains in escrow to be released in the future, subject to adjustments and in accordance with the terms of the Asset Sale (see Note 15).

The following table details the assets and liabilities of discontinued operations for the years presented herein:

	2011	2010
Future income taxes (Note 10)	**-**	$ 32
Current and total assets of discontinued operations	**-**	$ 32
Future income taxes (Note 10)	**-**	$ 362
Current and total liabilities of discontinued operations	**-**	$ 362

For reporting purposes, the results of operations from operating activities related to discontinued operations are as follows:

	2011	2010
Revenue	**-**	$ 47,657
Costs and other expenses	**$ 572**	42,775
Depreciation and amortization	**-**	1,208
Interest expense	**-**	677
Moving costs	**-**	-
Impairment of goodwill	**-**	-
Other expense (income)	**-**	275
Operating income (loss)	**(572)**	2,722
Gain on the sale of discontinued operations	**-**	8,562
Other comprehensive income (loss)	**-**	(31)
Income tax recovery (expense) (Note 10)	**79**	(1,166)
Income (loss) from discontinued operations, net of tax	**$ (493)**	$ 10,087

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 have been 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.

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

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 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 are exercisable at a price of $0.1879 per warrant, and expire 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%. The Company accounts for its investment in the Trust as an available-for-sale financial asset, and is remeasured at fair value each reporting period. As at March 31, 2011, the fair value of the warrants was $383.

6. 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

	Number of shares		Amount
Balance, March 31, 2009	72,223,254	$	18,676
Activity during the year:			
Exercise of options	100,000		25
Reduction in stated capital	-		(6,000)
Balance, March 31, 2010	72,323,254	$	12,701
Activity during the year:			
Distribution of investment as return of capital (Note 5)	-		(2,857)
Balance, March 31, 2011	**72,323,254**	**$**	**9,844**

On February 19, 2010, the Company elected to reduce its stated capital by $6,000 in order to meet the solvency requirements in the *Business Corporations Act* (Alberta) relating to the payment of dividends.

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 are as follows, for the years ended:

	March 31, 2011		March 31, 2010	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of year	**4,230**	**$ 0.48**	8,310	$ 0.48
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	(100)	0.14
Forfeited	**(1,125)**	**0.47**	(3,980)	0.49
Options outstanding at end of year	**3,105**	**$ 0.49**	4,230	$ 0.48
Options exercisable at end of year	**3,072**	**$ 0.49**	4,147	$ 0.49

	Options outstanding			**Options exercisable**		
Exercise prices	Number outstanding at March 31, 2011 (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number exercisable at March 31, 2011 (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)
C$0.30-0.45	330	2.0	0.35	297	2.0	0.35
C$0.46-0.62	2,775	0.6	0.50	2,775	0.6	0.50
	3,105	0.7	0.49	3,072	0.7	0.49

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.

c) Warrants

A summary of the status and changes in the Company's warrants are as follows, for the year ended:

	March 31, 2011		March 31, 2010	
(000's except per share amounts)	**Number of warrants**	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Warrants outstanding at beginning of year	**-**	**-**	8,894	$ 1.00
Expired	**-**	**-**	(8,894)	1.00
Exercised	**-**	**-**	-	-
Warrants outstanding at end year	**-**	**-**	-	-
Warrants exercisable at end of year	**-**	**-**	-	-

7. Contributed surplus

	March 31, 2011	March 31, 2010
Balance, beginning of year	**$ 8,059**	$ 1,991
Stock based compensation, recognition of fair value of stock options granted	**4**	78
Exercise of stock options	**-**	(10)
Reduction in stated capital	**-**	6,000
Balance, end of year	**$ 8,063**	$ 8,059

8. 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 the aggregate of its shareholders' equity and interest bearing debt, which includes bank indebtedness and current and long term portions of long term debt. 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, obtain new debt, or refinance existing debt with different characteristics. Subsequent to the Asset Sale, all debts not assumed by Powell, were discharged and security released. The Company has no further debt facilities as at March 31, 2011.

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

9. Earnings (loss) per share

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

	2011	2010
Numerator for basic earnings (loss) per share	**$ (611)**	$ 9,855
Denominator for basic and diluted earnings (loss) per share		
Weighted average number of common shares	**72,323,254**	72,323,254
Earnings (loss) per share		
Basic and diluted	**(0.01)**	0.14

10. 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, 2011 $	March 31, 2010 $
Expected income tax expense at 27.6% (March 31, 2010 – 28.8%)	**$ (307)**	$ 3,174
Increase (decrease) resulting from		
Income tax rate differences	**331**	(269)
Non-deductible expenses	**1**	35
Non-deductible stock-based compensation	**1**	22
Non-taxable portion of capital gains	**(292)**	12
Book to actual adjustment	**(221)**	(52)
PCKO foreign tax rate differential	**-**	225
Changes in valuation allowance	**-**	(1,962)
Other	**(13)**	(19)
Income tax expense	**$ (500)**	$ 1,166
Provision for income taxes – continuing operations		
Current	**$ (362)**	-
Future (recovery)	**(59)**	-
	(421)	-
Provision for income taxes – discontinued operations		
Current	**251**	$ 836
Future (recovery)	**(330)**	330
	(79)	1,166
Income tax expense	**$ (500)**	$ 1,166

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

Future income tax assets/liabilities

Future 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 future income tax assets and liabilities are as follows:

	March 31, 2011 $	March 31, 2010 $
Future income tax assets – current		
Deferred charges and share issue costs	$ 59	-
Future income tax liabilities – current		
Income from disposal of PCKO	-	$ (362)
Petrowest warrants (Note 5)	(50)	-
	$ 9	$ (362)
Future income tax assets – long-term		
Non-capital losses carried forward	-	$ 32
	-	$ 32

At March 31, 2011, the Company has non-capital losses available for carry-forward in the amount of $Nil (March 31, 2010 – $111). For financial reporting purposes a future tax asset was recognized for the items management believes are more likely than not to be realized in the future.

11. 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:

	2011	2010
Expenses:		
Consulting fees reported in general and administrative expenses	**$ 80**	$ 30

12. Contingent liabilities

As at March 31, 2010, the Company was party to a letter of credit on behalf of PCKO, and had placed approximately $1,300 in low risk, interest bearing funds, to be held as security against the letter of credit. During the year ended March 31, 2011, the $1,300 security for the letter of credit was released to the Company.

The Company is party to claims and suits 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. See subsequent events Note 15 for additional contingent liabilities.

13. Commitments

During the year ended March 31, 2011, the Company moved out of its premises, which were being rented on a short term lease as it continued to manage its affairs, and has no ongoing lease commitments.

14. Financial instruments

The Company has determined that the fair value of its financial assets, which include cash and cash equivalents, receivables, and the fair value of certain of its financial liabilities, which include accounts payable and accrued liabilities, approximates their respective carrying amounts as at the balance sheet dates because of the short term maturity of those instruments.

The Company is exposed to financial risks in the normal course of business operations, including credit, and liquidity risk. The nature of the financial risks and the Company's strategy for managing these risks has changed from the prior period as a result of the Asset Sale.

Credit risk

The Company's exposure to credit risk relates to accounts receivable and funds held in escrow, and are subject to specific terms of the Asset Sale.

Liquidity risk

The Company is exposed to liquidity risk from the potential inability to generate or obtain sufficient cash in a timely and cost effective manner to discharge its financial liabilities as they come due. The Company manages this risk by forecasting cash flows to identify financing requirements, and by maintaining sufficient cash reserves in low risk, interest bearing investments to meet these forecasted obligations. 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, causing significant doubt on its ability to continue as a going concern (See Note 2).

15. Subsequent events

Subsequent to the year ended March 31, 2011, 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 this matter claiming damages of $9,000. The Company has not yet responded to this claim. The likelihood of proceeding to litigation, the quantification of settlement, and the realization of the escrow funds are uncertain at this time.

On June 29, 2011, the Company exercised its option to purchase 1,903,452 units in the PetroWest Energy Services Trust for a total cost of $358 (see Note 5).

16. Comparative figures

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