PetroCorp Group Inc.
Consolidated Financial Statements

For the three months ended June 30, 2011
(unaudited)

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

Three months ended June 30

(unaudited, $ thousands, except share and per share amounts)	**2011**	2010
Revenue	**-**	-
Expenses		
General and administrative expenses	**$ 108**	$ 189
Depreciation and amortization	**-**	1
Interest expense (income)	**(15)**	(6)
	93	184
Loss from continuing operations	**(93)**	(184)
Income (loss) from discontinued operations, net of tax (Note 7)	**-**	(63)
Net income (loss)	**$ (93)**	$ (247)
Other comprehensive income, net of tax:		
Fair value change on investment (Note 8)	**(17)**	-
Comprehensive income (loss)	**$ (110)**	$ (247)
Earnings (loss) per share from continuing operations:		
Basic and diluted	**$ -**	$ -
Earnings (loss) per share from discontinued operations:		
Basic and diluted	**$ -**	$ -
Weighted average number of common shares outstanding:		
Basic and diluted	**72,323,254**	72,323,254

See accompanying notes to the interim consolidated financial statements

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

(unaudited, $ thousands)	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
Balance, March 31, 2011	$ 9,844	$ 8,063	$ (10,145)	$ 333	$ 8,095
Net income (loss) for the period	-	-	(93)	-	(93)
Other comprehensive income (loss) for the period	-	-	-	(17)	(17)
Share-based compensation expense	-	1	-	-	1
Balance, June 30, 2011	$ 9,844	$ 8,064	$ (10,238)	$ 316	$ 7,986
Balance, April 1, 2010	$ 12,701	$ 8,059	$ (9,534)	-	$ 11,226
Net income (loss) for the period	-	-	(247)	-	(247)
Share-based compensation expense	-	2	-	-	2
Balance, June 30, 2010	$ 12,701	$ 8,061	$ (9,781)	-	$ 10,981

PetroCorp Group Inc.
Consolidated Statements of Financial Position

(unaudited, $ thousands)	**June 30 2011**	March 31 2011	April 1 2010
Assets			
Current			
Cash and cash equivalents	**$ 6,359**	$ 6,784	$ 7,804
Funds held in escrow (Note 7)	**1,000**	1,000	4,648
Investments (Note 8)	**724**	383	-
Accounts receivable	**9**	46	40
	8,092	8,213	12,492
Deferred tax asset	**9**	9	32
Funds held in escrow (Note 7)	**-**	-	1,000
Equipment	**-**	-	19
	$ 8,101	$ 8,222	$ 13,543
Liabilities			
Current			
Accounts payable and accrued liabilities	**$ 56**	$ 68	$ 1,785
Income taxes payable	**59**	59	170
	115	127	1,955
Deferred tax liability	**-**	-	362
	115	127	2317
Shareholders' Equity			
Share capital (Note 9)	**9,844**	9,844	12,701
Contributed surplus (Note 10)	**8,064**	8,063	8,059
Deficit	**(10,238)**	(10,145)	(9,534)
Accumulated other comprehensive income	**316**	333	-
	7,986	8,095	11,226
	$ 8,101	$ 8,222	$ 13,543

Going concern (Note 2)
Contingent liabilities (Note 11)
Subsequent events (Note 12)

On behalf of the Board

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

PetroCorp Group Inc.
Consolidated Statements of Cash Flows
Three months ended June 30

(unaudited, $ thousands)	2011	2010
Operating		
Net income (loss)	$ (93)	$ (247)
Income (loss) from discontinued operations, net of tax	-	63
Loss from continuing operations	(93)	(184)
Items not affecting cash:		
Amortization of equipment	-	1
Stock based compensation	1	2
Cash used in operating activities	(92)	(181)
Investing		
Purchase of equity investment	-	(2,500)
Exercise of warrants	(358)	-
Cash provided by (used in) investing activities of continuing operations	(358)	(2,500)
Cash provided by investing activities of discontinued operations	25	3,807
Cash provided by (used in) investing activities	(333)	1,307
Financing		
Cash provided by (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(425)	1,126
Cash and cash equivalents		
Beginning of period	6,784	7,804
End of period	$ 6,359	$ 8,930
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. On December 15, 2009, the Company sold its operating business through a sale of substantially all of its assets and liabilities (see Note 7), 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 June 30, 2011, the Company had no ongoing business operations, 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 Notes 11 and 12). 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. Basis of preparation and adoption of IFRS

The Company prepares its financial statements in accordance with generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 6, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2011 and throughout all period presented, as if these policies had always been in effect. Note 6 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended March 31, 2011.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of September 26, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending March 31, 2012 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended March 31, 2011. Note 6 discloses IFRS information for the year ended March 31, 2011 that is material to the understanding of these condensed interim financial statements.

4. Summary of significant accounting policies

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of certain assets and liabilities is dependent upon future events, the preparation of these financial statements necessarily includes the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of measurement

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets to fair value.

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.

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 assets and liabilities are offset and the net amount reported in the balance sheet 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 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. 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.

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.

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.

5. Accounting standards issued but not yet applied

IFRS 9 *Financial Instruments*

International Financial Reporting Standard 9, *Financial Instruments* ("IFRS 9"), 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 investments 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 extend 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. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with

earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 7 *Financial Instruments: Disclosure*

The modification to this standard address disclosures related to transfers of financial assets and the derecognition of financial assets by a reporting entity. This amendment is required to be applied for annual period beginning on or after July 1, 2011, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 *Income Taxes*

This standard has been modified to introduce a rebuttal presumption that investment property measured at fair value will be recovered entirely through sale. Measurement of related deferred taxes will reflect the tax consequences of recovering the carrying amount through sale. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*

These new standards include a revision to the definition of control for the purposes of determining which arrangements should be consolidated, a reduction in the types of joint arrangements which are now based on rights and obligations, and new disclosure requirements and assumptions used in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities. These standards are effective for annual periods commencing on or after January 1, 2013 with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 *Fair value Measurement*

This new standard sets out a single IFRS framework for measuring fair value and establishes disclosure requirements for fair value measurements. This standard is effective for annual periods commencing on or after January 1, 2013 with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

6. Transition to IFRS

The effect of the Company's transition to IFRS, as described in Note 2, is further explained below:

a. Application of IFRS 1 – First Time Adoption of International Financial Reporting Standards

   Included in the provisions of IFRS 1 are a number of optional exemptions from full retrospective application of IFRS standards. The Company has elected to apply the following optional exemptions:

   - Business combinations

     The Company elected to apply IFRS relating to business combinations prospectively from April 1, 2010, and accordingly to not restate balances pertaining to any prior transactions.

   - Share-based payment transactions

The Company has elected not to apply the requirements of IFRS 2 – *Share Based Payment*, to awards that had vested as of April 1, 2010.

b. There are no reconciling items of equity or comprehensive income as at March 31, 2011; June 30, 2010 and April 1, 2010 as previously reported under Canadian GAAP to IFRS. The main difference between Canadian GAAP and IFRS assessed by the Company is:
   - Share-based payments – Under IFRS, the Company accrues the cost of employee stock options over the vesting period using the graded method of amortization which is consistent with its accounting policy under Canadian GAAP. Also under IFRS, the Company recognized compensation cost based on the number of awards expected to vest. Under Canadian GAAP, compensation cost was recognized assuming all options granted will vest and forfeitures were recognized as they occurred. The Company assessed the impact of this difference between Canadian GAAP and IFRS and determined no adjustment is required due to an immaterial number of unvested options and low historical and expected forfeitures rate.

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

A further $0.4M was released from escrow, as security on the credit cards were discharged, and $0.5 million in funds were released from escrow and received by the Company during the year ended March 31, 2011 in accordance with the terms of the Asset Sale. As at June 30, 2011, of the original $5.9 million placed into escrow, only $1.0 million remains in escrow to be released on January 15, 2012, subject to adjustments and in accordance with the terms of the Asset Sale (see Note 12).

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

unaudited, $ thousands, for the three months ended June 30,	**2011**		2010
Revenue	-		-
Costs and other expenses	-	$	63
Depreciation and amortization	-		-
Interest expense	-		-
Other expense	-		-
Operating income (loss)	-		(63)
Other comprehensive income (loss)	-		-
Income tax recovery (expense)	-		-
Income (loss) from discontinued operations, net of tax	-	$	(63)

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 June 30, 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.

8. 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 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 period ended June 30, 2011, the Company exercised all 1,903,452 warrants for an exercise price of $358. 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 June 30, 2011, the fair value of the Units is $724.

9. 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

	June 30, 2011		March 31, 2011	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of period	**72,323,254**	**$ 9,844**	72,323,254	$ 12,701
Activity during the period:				
Distribution of investment as return of capital	**-**	**-**	-	(2,857)
Balance, end of period	**72,323,254**	**$ 9,844**	72,323,254	$ 9,844

Share offerings

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 years ended:

	June 30, 2011		March 31, 2011	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**3,105**	**$ 0.49**	4,230	$ 0.48
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	(1,125)	0.47
Options outstanding at end of period	**3,105**	**$ 0.49**	3,105	$ 0.49
Options exercisable at end of period	**3,072**	**$ 0.49**	3,072	$ 0.49

	Options outstanding			**Options exercisable**		
Exercise prices	Number outstanding at June 30, 2011 (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number exercisable at June 30, 2011 (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)
C$0.30-0.45	330	1.8	0.35	297	1.7	0.35
C$0.46-0.62	2,775	0.3	0.50	2,775	0.3	0.50
	3,105	0.5	0.49	3,072	0.5	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.

10. Contributed surplus

	June 30, 2011	March 31, 2011
Balance, beginning of period	**$ 8,063**	$ 8,059
Stock based compensation, recognition of fair value of stock options granted	**1**	4
Balance, end of year	**$ 8,064**	$ 8,063

11. Contingent liabilities

During the period ended June 30, 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. See going concern Note 2 and subsequent events Note 12 for additional details on contingent liabilities.

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

12. Subsequent events

On July 11, 2011, a statement of claim was filed in relation to the Powell Claim claiming damages of $9,000. On August 17, 2011, the Company filed a statement of defense in dispute of the entire amount of the claim. The likelihood of proceeding to litigation, the quantification of settlement, and the realization of the escrow funds are uncertain at this time, therefore as at June 30, 2011, the Company has made no accrual for potential settlement costs with respect to the Powell Claim.