BORDER PETROLEUM CORP.

(formerly Border Petroleum Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 20, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of financial results and related data has been prepared by management, is reported in Canadian dollars and should be read in conjunction with Border's condensed interim financial statements for the nine months ended December 31, 2013.

The accompanying financial statements were approved by the Corporation's Audit Committee on behalf of the Board of Directors. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34, "Interim Financial Reporting". Additional information relating to Border is filed at www.sedar.com.

This Management's Discussion and Analysis is dated as of February 20, 2014.

BOE presentation – For the purposes of calculating unit costs, natural gas is converted to a barrel of oil equivalent (boe) using six thousand cubic feet equal to one boe unless otherwise stated. A boe is a very approximate comparative measure that, in some cases, could be misleading, particularly if used in isolation.

FORWARD-LOOKING STATEMENTS

The information herein contains forward-looking statements and assumptions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", continue", "estimate", "expect", "may", "will", "project", "predict", "potential, "targeting", "intend", "could", "might", "should", "believe" and other similar expressions. Such statements and assumptions also include those relating to guidance, results of operations and financial condition, capital spending, financing sources, commodity prices, cost of production and the magnitude of oil and gas reserves. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, actual results may differ materially from those predicted. Border Petroleum Corp. is exposed to numerous operation, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain employees on a cost-effective basis, commodity and marketing risk and seasonality. Border Petroleum Corp. is subject to significant drill risks and uncertainties including the ability to find oil and natural gas reserves on an economic basis and the potential for technical problems that could lead to well blowouts and environmental damage. Border Petroleum Corp. is also exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operation risks. Furthermore, there are numerous uncertainties in estimating Border Petroleum Corp.'s reserve base due to the complexities in estimated future production, costs and timing of expenses and future capital. The financial risks Border Petroleum Corp. is exposed to include, but not limited to, access to debt or equity markets and fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate. Border Petroleum Corp. is subject to regulatory legislation, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time preparation of, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Border Petroleum Corp. 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.

NON-IFRS MEASURES

This MD&A includes references to financial measures commonly used in the oil and gas industry. The terms "net petroleum and natural gas revenue" (petroleum and natural gas sales less royalties, production expenses and transportation costs) and "funds from operations" (net loss for the period adjusted for non-cash items in the statement of operations) have no standardized meanings, are not defined by IFRS, and accordingly are referred to as non-IFRS measures.

Border Petroleum Corp. also uses "operating netbacks" as a key performance indicator of field results by commodity. "Operating netbacks" do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Operating netbacks are determined by deducting royalties, operating, processing and transportation expenses from petroleum and natural gas sales.

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Funds from operations and operating netbacks are not intended to represent operating profits, nor should they be viewed as an alternative to cash flow provided by operating activities, net loss or other measures of financial performance calculated in accordance with IFRS.

CORPORATION OVERVIEW

The primary business of Border Petroleum Corp. ("Border" or the "Corporation") is the acquisition, development and production of crude oil, natural gas and natural gas liquids from properties located in the province of Alberta. The Corporation's shares are posted on the TSX Venture Exchange (the "TSXV") under the symbol "BOR". The Corporation changed its name from Border Petroleum Inc. to Border Petroleum Corp. on September 14, 2010.

As of July 29, 2013, Kelly Kimbley, President and Chief Executive Officer, and Peter Fridrich, Vice President, Exploration, are no longer with the Corporation. Mr. Kimbley has also stepped down as a director of the Corporation. Border's Chairman, Al Kroontje, P. Eng., was appointed Interim Chief Executive Officer, without compensation, until the successful completion of the strategic review process currently being undertaken by the Special Committee and their financial advisors.

On April 29, 2013, Border announced that it had formed a Special Committee of independent directors and initiated a strategic review process to identify, examine and consider a range of strategic alternatives available to Border, with a view to maximizing shareholder value. This process could result in a sale of the Corporation, a sale of a material portion of the Corporation's assets, a merger, business combination or a corporate reorganization, among other alternatives. The Special Committee has retained Dundee Securities Ltd. and Macquarie Capital Markets Canada Ltd. as co-financial advisors to assist in the strategic review process.

On November 25, 2013 the Corporation closed a sale involving 949 acres of land in the Red Earth area not associated with the Loon River Cree Nation Block to a mid-size producer for net proceeds of $750,000 as part of the strategic process described above.

During the quarter ended December 31, 2013, remaining Canadian Exploration Expense ("CEE") funds attributable to the Corporation's flow-through financing in September 2012, were utilized by participating in the drilling of one well (100% WI) and two well completions (100% and 30% WI). These wells are located in Alberta, in three new areas for the Corporation; Tomahawk, Conrad and Montgomery.

Ongoing corporate G&A costs, excluding one-time costs associated with data room setup and executive termination, have been significantly reduced. The strategic review process is ongoing and Border does not intend to disclose developments with respect to the strategic review process unless and until the Board of Directors has approved a definitive transaction or strategic option, or unless otherwise required by law or disclosure of which is deemed appropriate.

OPERATIONS

There have been limited operations during this quarter as the company had entered into the strategic review process. The Corporation's average net daily production for the nine months ended December 31, 2013 was 140 boe/d compared to 211 boe/d for the same period last year. The average net daily production for the three months ended December 31, 2013 was 66 boe/d compared to 211 boe/d for the same quarter last year. With a short-term strategic mandate to preserve funds, production volumes for all areas declined primarily due to the capital spending freeze on operational expenditures that included on-going well workovers.

Producing Properties

Red Earth/Dawson, Alberta

The Corporation has oil and gas rights and working interests in 21,204 gross acres (21,160 net) in the Red Earth and Dawson area of northwestern Alberta. The Corporation re-entered five wells on these lands in its fiscal year ended March 31, 2011. On the Loon Block the corporation has drilled three horizontal wells; two approximately 500m and the third one approximately 1600m. The long-leg Slave Point horizontal well located at 10-15-85-10W5M has been shut in since April 12, 2013 and remains shut in due to high operating costs in effluent water trucking. The two short-leg horizontal wells on the Loon Block have been shut in due to maintenance issues and the freeze on capital spending. The Corporation has one well in the Dawson field located at 6-23-80-17W5M. The Red Earth/Dawson production during the three and nine months ended December 31, 2012, averaged 32 bbls/d and 41 bbls/d respectively. This year, the Red Earth/Dawson production during the three and nine months ended December 31, 2013, averaged nil bbls/d and 11 bbls/d, respectively.

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Leduc, Alberta

The Corporation has an interest in 4,501 gross acres (4,244 net) in the Leduc area of central Alberta. The Corporation has a 100% working interest in the wells 15-19-49-26W4M, 10-29-49-26W4M, 8-32-49-26W4M, 14-32-49-26W4M and 13-33-49-26W4M and

60% in 11-33-49-26W4M well. High operating costs of the third party owned and operated gas plant to which Border's wells are tied, forced the 8-32-49-26W4M battery to be shut in during part of this quarter. The Leduc production for the three and nine months ended December 31, 2012, averaged 130 boe/d and 123 boe/d, respectively. This year, the Leduc production for the three and nine months ended December 31, 2013, averaged 59 boe/d and 116 boe/d, respectively.

Norris, Alberta

The Corporation has various working interests varying from 57.5% to 100% in 520 gross acres (452 net acres) in the Norris area of central Alberta which also consists of five producing oil wells and one water disposal well. The Corporation has a 57.5% working interest in the well 100/16-21-53-18W4 and 100.0% working interest in wells 102/16-21-53-18W4, 00/01-28-53-18W4, 102/01-28-53-18W4 and 100/04-27-053-18W4 which all produce from the Mannville formation. Several pump changes that were required have been deferred due to the capital spending freeze associated with the current Corporate strategic process which resulted in nil production for the quarter. The Norris production for the three and nine months ended December 31, 2012, averaged 15 bbls/d and 10 bbls/d, respectively. This year, the Norris production for the three and nine months ended December 31, 2013, averaged nil bbls/d and 2 bbls/d, respectively.

Cherhill/Majeau, Alberta

Border has a 37.5% to 100% working interest in 1,905 acres (1,505 net acres) in the Cherhill area of southwestern Alberta. The wells, 100/03-25-56-04W5 and the 6-26-56-04W5M, produce from the Glauconite formation. The Cherhill/Majeau production for the three and nine months ended December 31, 2012, averaged 9 bbls/d and 9 bbls/d, respectively. This year, the Cherhill/Majeau production for the three and nine months ended December 31, 2013, averaged 6 bbls/d and 6 bbls/d, respectively.

Pembina/Brazeau, Alberta

The Pembina production for the three and nine months ended December 31, 2012, averaged 24 boe/d and 27 boe/d, respectively. This year, the Pembina production for the three and nine months ended December 31, 2013, averaged 1 boe/d and 6 boe/d, respectively.

Non-Producing Properties

Cardiff, Alberta

No production.

Tomahawk, Central Alberta

Border incurred 100% of the cost to complete the Wilrich zone in a vertical well located at LSD 1-20-52-7W5 in the Tomahawk area of Central Alberta. Results exceeded expectations in that during 130 hours of clean-up after fracture stimulation, flow increased to a relatively stable rate of 30.5 M3/d (1,080 mcf/d).Border earned a 60% working interest in the section of land (640 acres) on which the well is located.

Conrad, Southeastern Alberta

Border incurred 100% of the drilling costs of a well located at LSD 3-32-5-15W4 in the Conrad area of south eastern Alberta. The well was drilled as a vertical strat test that was subsequently sidetracked for use as a future Sawtooth horizontal well. Border earned a 60% working interest in the target zone on the quarter section of land on which the well was drilled.

Montgomery, Southwestern Alberta

Border incurred 30% of the cost to complete the Cutbank zone in a vertical well located at LSD 1-16-12-29 W4 in the Montgomery area of south western Alberta. The well stabilized at a rate of approximately 13.0 M3/d (450mcf/d). Border earned a 30% working interest in the completed well.

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PRODUCTION SUMMARY

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	2012	CHANGE	2013	2012	CHANGE
Total Production						
Oil - bbls	**907**	6,517	(86)	**7,835**	20,642	(62)
Natural gas liquids - bbls	**1,092**	1,676	(35)	**6,174**	4,088	51
Natural Gas - Mcf	**24,278**	67,152	(64)	**146,697**	199,632	(27)
Total boe	**6,045**	19,385	(69)	**38,459**	58,002	(34)
Daily Production						
Oil - bbls per day	**10**	71	(86)	**28**	75	(63)
Natural gas liquids - bbls per day	**12**	18	(33)	**22**	15	47
Natural Gas - Mcf per day	**264**	730	(64)	**533**	726	(27)
Total boe per day	**66**	211	(69)	**140**	211	(34)

For the nine months ended December 31, 2013, oil production decreased 62% to 7,835 bbls compared to 20,642 bbls for the same period last year. The decrease in oil production is primarily attributable to the underperformance of the wells in the Red Earth and Norris areas. In November 2013, three non-Loon block oil wells were sold which further attributed to the lower oil sales volumes. Natural gas production for the nine months ended December 31, 2013, fell 27% to 146,697 mcf compared to 199,632 mcf for the comparable period last year. This was mainly due to the shutting-in of the Leduc 8-32-49-26W4M battery and associated wells due to their high operating costs. Production from the Pembina shallow gas wells continues to be uneconomical and therefore all wells remain shut-in, resulting in a decrease of about 126 mcf per day (78%) from the comparable nine month period last year. Natural gas liquids ("NGLs") increased 51% to 6,174 bbls during the nine months ended December 31, 2013 compared to 4,088 bbls for the same period last year. This was due to increased production of liquid-rich natural gas in the Leduc area during the first and second quarter of this fiscal year. Total production expressed in boe for the nine months ended December 31, 2013, decreased 34% to 38,459 boe compared to 58,002 boe last year.

For the three months ended December 31, 2013, oil production decreased 86% to 907 bbls compared to 6,517 bbls for the same period last year. Natural gas production for the three months ended December 31, 2013, decreased 64% to 24,278 mcf compared to 67,152 mcf for the comparable period last year. Natural gas liquids ("NGLs") decreased 35% to 1,092 bbls during the three months ended December 31, 2013 compared to 1,676 bbls for the same period last year. Total production expressed in boe for the three months ended December 31, 2013, decreased 69% to 6,045 boe compared to 19,385 boe last year.

PRICING SUMMARY

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	2012	CHANGE	2013	2012	CHANGE
Oil - $ per bbl	**$ 79.41** *	$ 66.83	19	**$ 91.75**	$ 71.92	28
Natural gas liquids - $ per bbl	**$ 60.59**	$ 46.87	29	**$ 51.87**	$ 50.11	4
Natural Gas - $ per Mcf	**$ 3.68**	$ 3.22	14	**$ 3.22**	$ 2.54	27
$ per boe	**$ 32.36**	$ 37.68	(14)	**$ 39.30**	$ 37.88	4

* the oil price for the three months ended December 31, 2013 has been adjusted to exclude the effect of revenue accruals related to the prior quarter.

During the nine months ended December 31, 2013, and the comparable period last year, Border sold all its oil, natural gas and natural gas liquids at spot prices and did not enter into any long-term, fixed price marketing contracts or derivative financial instruments.

The Corporation's oil production is currently comprised of three different densities, classified as light, medium and heavy (844.2 to 949.1 kg/m3) and as such receives average prices that are lower than the light WTI spot price that is the most common oil reference price.

During the nine months ended December 31, 2013, the average boe price was $39.30 compared to $37.88 last year. The boe price will vary due to two key components, the first is the current market price of the products and the second is the Corporation's mix of products. This increase in average boe price is the result of higher product prices compared to last year. Oil prices for the nine months ended December 31, 2013 are greater than the comparable nine months last year due to increases in the oil price but also partially due to a change in accounting for oil tariffs and oil marketing fees. In the prior year, oil revenue was recorded net of

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tariffs and oil marketing fees. This year oil revenues exclude these deductions and the oil marketing fee and tariffs are recorded as operating expenses.

During the three months ended December 31, 2013, the average boe price was $32.36 compared to $37.68 last year. This decrease is the result of oil revenue price adjustments related to production volumes recorded in the past quarter. Oil prices in the current quarter are greater than the comparable quarter last year due to increases in the oil price but also partially due to a change in the accounting of oil sales, tariffs and oil marketing fees as discussed above.

REVENUE

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	**2012**	**CHANGE**	**2013**	**2012**	**CHANGE**
Oil	**$ 40,112**	$ 435,550	(91)	**$ 718,880**	$ 1,484,481	(52)
Natural gas liquids	**66,163**	78,556	(16)	**320,271**	204,847	56
Natural Gas	**89,338**	216,244	(59)	**472,122**	507,587	(7)
Total Working Interest Revenue	**$ 195,613**	$ 730,350	(73)	**$ 1,511,273**	$ 2,196,915	(31)
$ per boe	**$ 32.36**	$ 37.68	(14)	**$ 39.30**	$ 37.88	4

During the nine months ended December 31, 2013, revenues fell by $685,642 (31%) to total $1.5 million compared to $2.2 million for the comparable period last year, due primarily to lower sales volumes of oil and natural gas. During the nine months ended December 31, 2013, oil revenue fell by $765,601 (52%) to total $ 718,880 from $1,484,481 due primarily to a 62% decrease in oil sales volumes. Natural gas liquids increased by $115,424 (56%) over the same period last year due primarily to a 51% increase in sales volume. Natural gas revenue decreased by $35,465 (7%) over the same period last year due primarily to lower sales volumes.

During the three months ended December 31, 2013, revenues decreased by $534,737 to total $195,613 compared to $730,350 for the comparable quarter last year, due primarily to lower sales volumes of oil, natural gas and natural gas liquids. Oil revenues decreased by 91% (or $395,438) from the comparable quarter last year due primarily to an 86% drop in sales volumes. Natural gas revenue decreased by 59% (or $126,906) from the comparable quarter last year due primarily to a 64% drop in sales volumes. Natural gas liquids revenues decreased 16% (or $12,393) from the comparable quarter last year, primarily due to a 35% drop in sales volumes.

ROYALTY SUMMARY

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	**2012**	**CHANGE**	**2013**	**2012**	**CHANGE**
Crown	**$ (11,920)**	$ 17,701	167	**$ 84,227**	$ 44,067	91
Overriding and Freehold	**11,784**	66,325	(82)	**46,130**	153,653	(70)
Total Royalty Expense	**$ (136)**	$ 84,026	(100)	**$ 130,357**	$ 197,720	(34)
$ per boe	**$ (0.02)**	$ 4.33	(100)	**$ 3.39**	$ 3.41	(1)
Expense rate - % of total working interest revenue	**-**	11	(100)	**9**	9	-

Total royalties paid for the nine months ended December 31, 2013, decreased by $67,363 (34%) to total $130,357 compared to $197,720 for the comparable nine months last year. This was due primarily to lower oil sales volumes. The current year adjustments to Crown gas cost allowance ("GCA") due to much lower sales volumes than initially estimated have skewed the Crown royalty component of total royalties paid. Excluding the effect of the gas cost allowance adjustments, total Crown royalties are 7% of the $1.5 million year-to-date revenue. The Corporation's oil properties are encumbered with overriding and freehold royalties more so than Border's gas properties. Overriding and freehold royalties decreased this year due to significantly lower oil production volumes compared to the comparable nine months last year. On a $ per boe basis, total royalties decreased slightly to $3.39 per boe for the nine months ended December 31, 2013, compared to $3.41 per boe for the same nine months last year. Royalties *expressed as a percentage of total working interest revenue remained at 9% for the nine months ended December 31, 2013, consistent with the 9% for the comparable period last year.*

Total royalties paid for the three months ended December 31, 2013, decreased 100% to total a credit of $136. Excluding the effect of the current quarter GCA adjustment of $13,346, total royalties paid were $13,210. This is 7% of the current quarter's revenues compared to 12% for the same period last year. This decrease is the result of lower sales volumes and the effect of the sliding scale calculations for Crown gas royalties. Overriding and freehold royalties fell by 82% to total $11,784 from $66,325 last year due primarily to a corresponding 86% decrease in oil sales volumes from the Red Earth, Norris and Leduc areas. On a $ per boe basis, total royalties decreased by 100% to $.02 per boe for the three months ended December 31, 2013, compared to $4.33 per boe for the same three months last year. This variance in per boe costs was caused by low oil sales volumes during the quarter ended December 31, 2013, and was further skewed by $13,346 of GCA adjustment credits.

OPERATING AND TRANSPORTATION EXPENSES

	THREE MONTHS ENDED DECEMBER 31 2013	THREE MONTHS ENDED DECEMBER 31 2012	% CHANGE	NINE MONTHS ENDED DECEMBER 31 2013	NINE MONTHS ENDED DECEMBER 31 2012	% CHANGE
Production expenses	**$ 116,069**	$ 350,914	(67)	**$ 953,460**	$ 1,320,778	(28)
Transportation and gathering	**111,722**	200,695	(44)	**632,024**	793,522	(20)
	227,791	551,609	(59)	**1,585,484**	2,114,300	(25)
Workover expenses	**12,800**	-	na	**66,415**	30,068	121
Total Production Expenses	**$ 240,591**	$ 551,609	(56)	**$ 1,651,899**	$ 2,144,368	(23)
$ per boe Total production expenses	**$ 39.80**	$ 28.46	40	**$ 42.95**	$ 36.97	16
Production expenses	**$ 19.20**	$ 18.10	6	**$ 24.79**	$ 22.77	9
Transportation & gathering	**$ 18.48**	$ 10.35	79	**$ 16.43**	$ 13.68	20
Workover expenses	**$ 2.12**	$ -	na	**$ 1.73**	$ 0.52	233
Expense rate - % of total working interest revenue	**123**	76	62	**109**	98	11

Total production expenses are comprised of three cost categories; day-to-day production expenses, transportation and gathering costs and work-over expenses. Production, transportation and gathering costs for the nine months ended December 31, 2013, decreased 25% to total $1,585,484 compared to $2,114,300 last year. These decreases in costs were due primarily to low oil production from the Red Earth, Leduc and Norris wells. Workover expenses for the nine months ended December 31, 2013 increased 121% to $66,415 from $30,068 last year due to equipment changes on the 14-32 well in Leduc. Total production expenses for the nine months ended December 31, 2013, fell 23% to $1,651,899 compared to $2,144,368 last year. As a result of fixed operating costs, when expressed as a $ per boe, total production expenses increased by 16% due primarily to a 34% decrease in production volumes.

Production, transportation and gathering costs for the three months ended December 31, 2013, decreased 59% to total $227,791 compared to $551,609 for the same quarter last year. These decreases in costs were due primarily to low oil production from the Red Earth, Leduc and Norris wells. Total production expenses for the three months ended December 31, 2013, decreased 56% to total $240,591 compared to $551,609 last year. As a result of fixed operating costs, when expressed as a $ per boe, total production expenses increased by 40% due primarily to a 69% decrease in production volumes.

GENERAL AND ADMINISTRATIVE EXPENSES

	THREE MONTHS ENDED DECEMBER 31 2013	THREE MONTHS ENDED DECEMBER 31 2012	% CHANGE	NINE MONTHS ENDED DECEMBER 31 2013	NINE MONTHS ENDED DECEMBER 31 2012	% CHANGE
General and administration	**$ 229,404**	$ 443,173	(48)	**$ 1,079,411**	$ 1,386,515	(22)
Strategic process costs		-	na	**$ 211,720**	-	na
	229,404	443,173	(48)	**1,291,131**	1,386,515	(7)
$ per boe	**$ 37.95**	$ 22.86	66	**$ 33.57**	$ 23.90	40
Expense rate - % of total working interest revenue	**117**	61	93	**85**	63	35

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Routine general and administrative ("G&A") expenses for the nine months ended December 31, 2013, decreased by 22% totaling $1,079,411 compared to $1,386,515 for the comparable period last year. Throughout this nine month period, on-going G&A costs are being continually reduced; which is apparent in this quarter's G&A costs. However, during this nine month period one-time costs of $211,720 have been incurred related to the strategic process initiated by Border, which includes electronic data room set-up and maintenance and also includes executive termination costs.

Routine general and administrative expenses for the three months ended December 31, 2013, decreased by 48% totaling $229,404 compared to $443,173 for the comparable quarter last year.

FINANCE INCOME AND EXPENSES

Finance income, consisting of interest income, is recognized as it accrues in the statement of income, using the effective interest method. Finance expense comprises interest expense on convertible debentures and note payable and accretion on the convertible note payable and of decommissioning provisions.

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	**2012**	**CHANGE**	**2013**	**2012**	**CHANGE**
Finance income						
Interest income	**$ 71,696**	$ 34,164	110	**$ 122,496**	$ 133,309	(8)
	71,696	34,164	110	**122,496**	133,309	(8)
Finance expenses						
Interest expense	**3,018**	2,139	41	**7,643**	14,318	(47)
Interest expense on note payable	**-**	9,608	(100)	**-**	63,594	(100)
Accretion on convertible note payable	**-**	21,348	(100)	**-**	66,388	(100)
Accretion of decommissioning provisions	**3,449**	4,948	(30)	**12,024**	17,938	(33)
	6,467	38,043	(83)	**19,667**	162,238	(88)
Net finance income (expense)	**65,229**	(3,879)	(1,782)	**102,829**	(28,929)	(455)
Finance income (expense) cash items	**68,678**	(2,290)	(3,099)	80,912	16,421	393
Finance expense non-cash items	**(3,449)**	(1,589)	117	21,917	(45,350)	(148)
Net finance income (expense)	**65,229**	(3,879)	(1,782)	**102,829**	(28,929)	(455)
$ per boe - finance income (expense) cash items	**$ 11.36**	$ (0.12)	(9,567)	**$ 2.10**	$ 0.28	650
$ per boe - finance expense non-cash items	**$ (0.57)**	$ (0.08)	613	**$ 0.57**	$ (0.78)	(173)

DEPLETION AND DEPRECIATION

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	**2012**	**CHANGE**	**2013**	**2012**	**CHANGE**
Depletion & depreciation	**$ 133,177**	$ 386,101	(66)	**$ 848,907**	$ 1,147,727	(26)
	$ 133,177	$ 386,101	(66)	**$ 848,907**	$ 1,147,727	(26)
$ per boe - Depletion, depreciation	**$ 22.03**	$ 19.92	11	**$ 22.07**	$ 19.79	12
Expense rate - % of working interest revenue	**68**	52	31	**56**	52	8

Depletion and depreciation expense for the nine months ended December 31, 2013, decreased by 26% totaling $848,907 or $22.07 per boe compared to $1,147,727 or $19.79 per boe for the same period last year. A 34% decrease in production volumes compared to the same nine months last year resulted in lower depletion expense.

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Depletion and depreciation expense for the three months ended December 31, 2013, decreased by 66% totaling $133,177 or $22.03 per boe compared to $386,101 or $19.92 per boe for the same quarter last year. A 69% drop in production volumes in this quarter compared to the same quarter last year resulted in lower depletion costs.

SHARE CAPITAL

Issued and Outstanding Common Shares

As at December 31, 2013 and March 31, 2013, the Corporation had 332,978,953 common shares issued and outstanding with a stated value of $65,354,764.

Warrants

As at December 31, 2013 and March 31, 2013, the Corporation had no warrants outstanding.

STOCK BASED COMPENSATION

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	**2012**	**CHANGE**	**2013**	**2012**	**CHANGE**
Stock based compensation	**$ 39,171**	$ 257,304	(85)	**$ 267,707**	$ 780,224	(66)
$ per boe	**$ 6.48**	$ 13.27	(51)	**$ 6.96**	$ 13.45	(48)
Expense rate - % of working interest revenue	**20**	35	(44)	**18**	36	(51)

The Corporation has established a stock option plan (the "Plan") which is administered by the Board of Directors, allowing the Board of Directors to grant stock options. The Corporation adopted a 10% Rolling Stock Option Plan, which allows for the granting of stock options for the purchase of up to 10% of the outstanding common shares of the Corporation.

Additionally, options may not be granted to any one person, any one consultant or any persons performing investor relations duties in any twelve month period which could, when exercised, result in the issuance of shares exceeding 5%, 2% or 2%, respectively, of the issued and outstanding common shares of the Corporation. All options granted under the Plan shall expire as determined by the Board of Directors not later than the tenth anniversary of the date the options were granted.

The exercise price of the options is to be determined by the Board of Directors, but shall not be less than the market price of the common shares of the Corporation on the TSXV on the last business day before the date on which the options are granted, less any discount permitted by the rules of the TSXV. Vesting of the options is at the discretion of the Board of Directors but generally will occur over a two to three year period following the grant date.

As at December 31, 2013 and March 31, 2013, the Corporation had 9,150,000 stock options outstanding with a weighted average exercise price of $0.23 and 6,541,668 of these stock options were exercisable at a weighted average price of $0.23. There were no stock options granted during the nine months ended December 31, 2013.

Compensation costs of $267,707 for the nine months ended December 31, 2013, (December 31, 2012 - $780,224) have been expensed and have resulted in a corresponding increase in contributed surplus. The stock-based compensation for the quarter ended December 31, 2013 of $39,171 has been adjusted downward due to forfeited options of former employees.

AVERAGE SHARES OUTSTANDING

The weighted average number of shares outstanding ended December 31, 2013 totaled 332,978,953 compared to 261,605,059 at December 31, 2012.

Common shares and other equity instruments outstanding as at the date of this MD&A is as follows:

Common shares	*332,978,953*
Stock options	*9,150,000*

Border Petroleum Corp.
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NET LOSS AND COMPREHENSIVE LOSS

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	2012	CHANGE	2013	2012	CHANGE
Net income (loss) for period	**$ (93,272)**	$ 228,843	(141)	**$ (2,234,273)**	$ (2,263,983)	(1)
Income (Loss) per share	**$ -**	$ -	-	**$ (0.01)**	$ (0.01)	(22)

A net loss and comprehensive loss of ($2,234,273) was recorded for the nine months ended December 31, 2013, compared to a net loss and comprehensive loss of ($2,263,983) for the comparable nine months last year.

NET PETROLEUM AND NATURAL GAS REVENUE

	THREE MONTHS ENDED DECEMBER 31		%	NINE MONTHS ENDED DECEMBER 31		%
	2013	2012	CHANGE	2013	2012	CHANGE
Petroleum & Natural Gas Revenue	**$ 195,613**	$ 730,350	(73)	**$ 1,511,273**	$ 2,196,915	(31)
Less:						
Royalties	**(136)**	84,026	(100)	**130,357**	197,720	(34)
Production expenses	**227,791**	551,609	(59)	**1,585,484**	2,114,300	(25)
Workover expenses	**12,800**	-	#DIV/0!	**66,415**	30,068	-
Net Petroleum & Natural Gas Revenue	**$ (44,842)**	$ 94,715	147	**$ (270,983)**	$ (145,173)	(87)
$ per boe	**$ (7.42)**	$ 4.89	252	**$ (7.05)**	$ (2.50)	(182)

Gross revenue from petroleum and natural gas decreased 31% to total $1,511,273 for the nine months ended December 31, 2013, compared to $2,196,915 for the comparable nine months last year. The net petroleum and natural gas loss after royalties, production and workover expenses for the nine months ended December 31, 2013 was ($270,983) compared to a loss of ($145,173) for the comparable period last year. The increased loss was primarily the result of a 34% decrease in production and sales volumes compared to last year.

Gross revenue from petroleum and natural gas decreased 73% to total $195,613 for the quarter ended December 31, 2013, compared to $730,350 for the comparable quarter last year. The net petroleum and natural gas loss after royalties, production and workover expenses for the three months ended December 31, 2013 was ($44,842) compared to a gain of $94,715 for the comparable period last year. The increased loss was primarily the result of a 69% decrease in production and sales volumes compared to last year.

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NETBACKS

	THREE MONTHS ENDED DECEMBER 31 2013	THREE MONTHS ENDED DECEMBER 31 2012	% CHANGE	NINE MONTHS ENDED DECEMBER 31 2013	NINE MONTHS ENDED DECEMBER 31 2012	% CHANGE
$ per boe						
Working Interest Revenue	**$ 32.36**	$ 37.68	(14)	**$ 39.30**	$ 37.88	4
Royalties	**(0.02)**	4.33	(100)	**3.39**	3.41	(1)
Production expense	**19.20**	18.10	6	**24.79**	22.77	9
Gather/transportation	**18.48**	10.35	79	**16.43**	13.68	20
Workover expenses	**2.12**	-	na	**1.73**	0.52	233
Total after royalties and production expenses	**$ (7.42)**	$ 4.89	(252)	**$ (7.04)**	$ (2.50)	182
General and administration and transaction costs	**37.95**	22.86	66	**33.57**	23.90	40
Finance income cash items (expense)	**11.36**	1.65	588	**2.10**	0.28	650
Total Corporate Netbacks	**$ (34.01)**	$ (16.32)	108	**$ (38.51)**	$ (26.12)	47
Non-Cash Items						
Depletion, depreciation and accretion	**22.03**	19.92	11	**22.07**	19.79	12
Stock based compensation	**6.48**	13.27	(51)	**6.96**	13.45	(48)
Finance income non-cash items (expense)	**(0.57)**	(1.85)	(69)	**0.57**	(0.78)	(173)
Deferred tax expense (recovery)	**(47.66)**	(63.17)	-	**(8.88)**	(21.11)	-
Total Netbacks after non-cash items (*)	**$ (15.43)**	$ 11.81	(231)	**$ (58.09)**	$ (39.03)	49

Field netbacks for the nine months ended December 31, 2013, were losses of ($7.04) per boe compared to a loss of ($2.50) per boe for the comparable period last year. Total netbacks after non-cash items for the nine months ended December 31, 2013, were losses of ($58.09) per boe compared to ($39.03) per boe for the comparable nine months last year.

Field netbacks for the three months ended December 31, 2013, were losses of ($7.42) per boe compared to a loss of ($4.89) per boe for the comparable quarter last year. Total netbacks after non-cash items for the quarter ended December 31, 2013, were losses of ($15.43) per boe compared to a gain of $11.81 per boe for the comparable quarter last year.

CAPITAL ADDITIONS

	THREE MONTHS ENDED DECEMBER 31 2013	THREE MONTHS ENDED DECEMBER 31 2012	% CHANGE	NINE MONTHS ENDED DECEMBER 31 2013	NINE MONTHS ENDED DECEMBER 31 2012	% CHANGE
Exploration and evaluation assets	**2,022,764**	$ 7,514,708	(73)	**$ 2,211,556**	$ 7,497,314	(71)
Property and equipment						
Land and lease costs	**-**	-	-	**-**	457,765	(100)
Geophysical and seismic	**-**	-	-	**2,400**	-	na
Drilling and completions	**10,628**	745,162	(99)	**306,168**	1,741,360	(82)
Production equipment and facilities	**10,200**	453,912	(98)	**38,354**	1,065,842	(96)
Property acquisitions	**54,075**	-	na	**54,075**	54,907	(2)
Property dispositions	**(747,592)**	-	-	**(747,592)**	-	na
Asset retirement	**(199,855)**	102,521	(295)	**(200,681)**	111,171	(281)
Furniture & computers	**-**	-	-	**-**	8,581	(100)
Total	**$ 1,150,220**	$ 8,816,303	(87)	**$ 1,664,280**	$ 10,936,940	(85)

Total asset additions were $1,664,280 for the nine months ended December 31, 2013, compared to $10,936,940 for the comparable nine months last year. This year, these additions included $(200,681) of non-cash decommissioning adjustments due primarily to the sale of properties in the Red Earth area. The additions to exploration and evaluation relate to expenditures during this period to drill and complete wells in three new areas; Tomahawk, Conrad and Montgomery.

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Total net asset additions were $1,150,220 for the three months ended December 31, 2013, compared to $8,816,303 for the comparable quarter last year. These additions are net of adjusted proceeds of $747,592 for the sale of properties in the Red Earth area and the associated $199,855 reduction of decommissioning liabilities. The $2.0 million of exploration and evaluation expenditures relate to costs incurred this quarter to drill and complete wells in three new areas; Tomahawk, Conrad and Montgomery.

BANK DEBT

The Corporation has no bank debt; furthermore, on November 7, 2013 the Corporation terminated its revolving operating credit facility and eliminated monthly standby fees.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2013, Border had working capital (current assets minus current liabilities) of $5,742,731 compared to working capital of $7,519,842 at March 31, 2013.

	DECEMBER 31 2013	MARCH 31 2013	% CHANGE
Cash	$ 4,058,420	$ 8,266,710	(51)
Accounts receivable and prepaid expenses	819,946	1,496,577	(45)
Investment in secured debt	933,008	899,067	4
Accounts payable and accrued liablities	(1,637,355)	(3,142,512)	(48)
	$ 4,174,019	$ 7,519,842	(44)

On November 7, 2013, the Corporation terminated its $3.5 million revolving operating facility.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Corporation utilizes the services of a law firm in which a Director of the Corporation is a Partner. During the nine months ended December 31, 2013, the Corporation incurred $28,568 (December 31, 2012 - $109,925) on legal services, which is included in general and administrative expense.

COMMITMENTS AND CONTINGENCIES

(a) Flow-through share commitment

Pursuant to the Corporation's flow-through financing in September 2012, the Corporation is required to spend $750,750 of qualifying oil and natural gas development costs ("CDE") by December 31, 2012, and $10,000,080 of qualifying oil and natural gas exploration costs ("CEE") by December 31, 2013. At December 31, 2012, the Corporation had incurred $750,750 on qualifying CDE expenditures, fulfilling the CDE commitment. At December 31, 2013, the Corporation had incurred $10,000,080 CEE expenditures thereby fulfilling the CEE flow-through share spending commitment.

(b) Contingent acquisition costs

During the year ended March 31, 2011, the Corporation entered into a termination agreement pertaining to an Area of Mutual Interest ("AMI") and Farm-in Agreement dated July 1, 2009 (the "Termination Agreement"). By Termination Agreement dated November 1, 2010, the parties terminated the Area of Mutual Interest Agreement and set out terms for payment by Border. Border is required to pay twenty percent of net monthly revenue (net of royalties, overriding royalties, transportation and processing fees) *received from the current and future re-entries conducted by Border on the lands previously covered by the "AMI" at the end of each month to a total maximum payment of all payments under the agreement of $550,000.*

For the year ended March 31, 2013, total cash payments of $32,250 (2012 - $100,708) have been paid and an additional $34,386 (2012 - $66,727) was accrued for the year ending March 31, 2013 based on management's estimate of the amount that will ultimately be paid under the Termination Agreement. During the nine months ended December 31, 2013, total cash payments of $13,972 have been paid leaving $20,414 remaining as an accrued cost.

(c) Legal matters

Canflame, now amalgamated with the wholly-owned subsidiary of the Corporation, has been named as a defendant in a lawsuit on behalf of a joint venture partner seeking to recover damages allegedly sustained by them as a result of a breach of agreement. The complaint with respect to this action generally alleges Canflame failed to pay certain AFEs. Canflame has also filed a counterclaim. These lawsuits are on-going and it is management's view that the likelihood of any material loss occurring is minimal and has accrued no amounts related to this claim at December 31, 2013. (see Border's December 31, 2013 Condensed Interim Consolidated Financial Statements – Note 4)

(d) Office lease

The Corporation entered into a commitment related to the leasing of office premises. The payments due including estimated operating costs are as follows:

Office Premises	*- to March 31, 2014*	*$*	*56,448*
	- April 1, 2014 to November 30, 2014		*150,528*
		$	*206,976*

SUBSEQUENT EVENTS

During this quarter, Border has finalized the acquisition of a section of land, one shut in well capable of production and a 6.5 km access road in the Red Earth area (the "Assets") from an oil and gas company that was in receivership (the "Vendor"). Border acquired the Assets as a result of having acquired the secured debt of a creditor of the Vendor. The secured debt was acquired in January 2011 for a purchase price of $550,000. The Assets were transferred for a stated amount of $943,192 after giving effect to accrued interest on the secured debt.

During this quarter, the Corporation has also entered into a Purchase and Sale Agreement to divest certain of its Leduc assets for proceeds of $1.8 million. Closing is expected within 90 days as a result of a condition precedent that the Purchaser completes the necessary Alberta Energy Regulator well licence transfers. This disposition by Border remains subject to approval of the TSX Venture Exchange

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation has not entered into any marketing arrangements related to the selling of oil or natural gas production.

Fair values

The fair values of cash, accounts receivable, deposits, investment in secured debt, bank debt, accounts payable and accrued liabilities, and note payable approximate their carrying value.

At December 31, 2013, the Corporation does not have any financial derivatives, including commodity contracts. Consequently, the Corporation's financial instruments were recorded at fair value on the balance sheet with changes to fair value being reported in the statement of loss and comprehensive loss.

The fair value of transactions are classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- *Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.*
- *Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.*
- *Level 3 – Inputs for the asset or liability that are not based on observable market data.*

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The Corporation's cash has been valued using Level 1 inputs. The Corporation is exposed to financial risks arising from its financial assets and liabilities. The Corporation manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Corporation are as follows:

Credit risk

Credit risk is primarily related to the Corporation's receivables from oil and natural gas marketers and joint venture partners and the risk of financial loss if a customer, partner, or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. Currently the Corporation sells the majority of its production to an oil and gas marketer. The Corporation historically has not experienced any collection issues with its oil and natural gas marketers. Joint venture receivables are typically collected within one to three-months of the joint venture bill being issued to the partner. The Corporation attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Corporation does not typically obtain collateral from joint venture partners; however, in certain circumstances, it may cash-call a partner in advance of the work and as well the Corporation has the ability in most cases to withhold production from joint venture partners in the event of non-payment. The Corporation establishes an allowance for doubtful accounts as determined by management based on their assessed collectability; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure.

The Corporation believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business. There were no receivables allowed for or written off during the period ended December 31, 2013 and there is $579,685 in accounts receivable outstanding greater than 90 days at December 31, 2013, which the Corporation would consider past due under normal conditions.

Cash balances consist of amounts on deposit with banks where bank overdraft consists of outstanding cheques issued in excess of cash. The Corporation manages the credit exposure of cash by selecting financial institutions with high credit ratings.

Total credit risk at December 31, 2013, is comprised of $756,603 in accounts receivable, $63,343 in deposits and prepaid expenses, $184,022 in lease reclamation deposits, $933,008 in investment in secured debt and $4,058,420 in cash and cash equivalents.

Market risk

Market risk consists of commodity price, foreign exchange and interest rate risk, that may affect the value of the Corporation's financial instruments.

Commodity price risk

Commodity price risk is the risk that the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by the world and continental/regional economy and other events that dictate the levels of supply and demand. The Corporation has not attempted to mitigate commodity price risk through the use of financial derivative contracts. The Corporation had no financial derivative sales contracts or working capital items denominated in foreign currencies as at or during the nine months ended December 31, 2013.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Although all the Corporation's oil and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian dollar and the United States dollars. The Corporation had no forward exchange rate contracts in place as at or during the period ended December 31, 2013.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate price risk to the extent that the note payable and investment in secured debt both bear interest at a fixed rate and interest rate cash flow risk to the extent that bank debt, if any, bears interest at a floating rate.

Operational risks

Border's operational activities are focused in the Western Canadian Sedimentary Basin, a competitive environment with a number of companies exploring for hydrocarbons. Other operational risks include weather delays, mechanical or technical difficulties, and exploration risks associated with finding economically viable hydrocarbons reserves. Border attempts to manage these risks by

maintaining an inventory of certain critical equipment; conducting advance planning to manage its drilling programs in an efficient and cost effective manner; and hiring experienced technical staff and personnel to conduct its exploration programs.

Border's field operations are also subject to health, safety and environmental risks. The Corporation maintains a Health, Safety and Environmental Policy and an Emergency Response Plan which are updated bi-annually or as needed to comply with current legislation. Both are designed to protect the health and safety of all concerned property, drilling, pollution, and commercial general liability.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Corporation's reputation. The Corporation prepares capital expenditure budgets which are regularly monitored and updated as considered necessary. As well, the Corporation utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. Also see below for a discussion on the Corporation's capital management policy.

Capital management

The Corporation's policy is to maintain a strong capital base with the following objectives:

- *Maintaining financial flexibility*
- *Maintaining creditor and investor confidence, and*
- *Sustaining the future development of the business.*

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. Working capital and debt instruments (if any) are the components of the Corporation's capital structure to be managed. The most significant alternatives available for the management of the capital structure include adjusting capital spending to manage projected debt levels or to issue common shares or debentures when management and the Board of Directors feel the timing is appropriate. Management continually monitors the Corporation's projected capital spending and its net debt to maintain a sound capital position. Refer to the above section "Liquidity and Capital Resources".

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by Border are disclosed in Notes 2 and 3 to the year ended Financial Statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstance may result in actual results or changes to estimate amounts that differ materially from current estimates. The following discussion helps to assess the critical accounting policies and practices of the Corporation and the likelihood of materially different results from those reported.

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CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

Financial Instruments

The International Accounting Standards Board ("IASB") intends to replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") with IFRS 9, "Financial Instruments" ("IFRS 9"). IRFS 9 will be published in three phases, of which the first phase has been published.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 39 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used.

For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 is currently effective for annual periods beginning on or after January 1, 2015. The Corporation is currently assessing the impact of this standard.

Fair Value Measurements

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" which provides a consistent and less complex definition of fair value, established a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. Prospective application of this standard is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation is currently assessing the impact of this standard.

Reporting Entity

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements" ("IFRS 11"), IFRS 12, "Disclosers of Interest in Other Entities" ("IFRS 12") and amendments to both IAS 27, "Consolidated and Separate Financial Statement" and IAS 28 "Investments in Associates".

IFRS 10 creates a single consolidated model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles.

Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted if all of the standards are collectively adopted. The Corporation is currently assessing the impact of these standards.

BUSINESS RISKS AND UNCERTAINTIES

The following are certain risk factors that relate to Border that the reader should consider. If any event arising from these factors occurs, the Corporation's business could be materially affected.

- *Fluctuations in the prices of oil and gas will affect Border's revenue, cash flows and earnings and the value of the Corporation's oil and gas properties. These fluctuations could also affect the Corporation's ability to raise capital. These fluctuations in prices could be due to global economic and market conditions, weather conditions, the level of consumer and industrial demand, and governmental regulations.*

- *Drilling activities are subject to risks such as the possibility that commercially productive reservoirs will not be encountered, weather conditions, the ability to obtain regulatory approvals and shortages or delays in equipment and services.*

- *Estimates of oil and natural gas reserves involve a great measure of uncertainty as they depend on the reliability of available data, the costs to recover said reserves, and the ability to transport the product to market.*

- *There are operating risks that could affect the business of the Corporation. These include blowouts, equipment failures, spills or leaks, accidents and weather conditions.*

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- *Compliance with and changes to environmental laws and regulations.*
- *The oil and gas industry is extremely competitive.*
- *The value of the Corporation's oil and gas properties.*

Border Petroleum Corp. advises readers that this Report may contain a number of forward-looking statements that involve a number of risks and uncertainties. Such information, although considered reasonable by Border Petroleum Corp. at the time, may ultimately prove incorrect, too optimistic or too pessimistic, and actual results may differ materially from those anticipated in the statements. For this purpose, any statements contained within this Report that are not statements of historical fact may be deemed forward looking.

In common with all public oil and gas companies, and especially smaller companies, Border Petroleum Corp., is subject to considerable market volatility affecting the prices received for its production, foreign exchange and interest rates, the availability and cost of capital financing, and market liquidity for its common shares. Furthermore, high energy prices can lead to increased energy supplies, reduced economic activity, and increased conservation efforts, which then sow the seeds for lower energy prices. Border Petroleum Corp. does not participate in hedging of oil and gas prices, foreign exchange or interest rates, as it considers such activities to be highly risky and a distraction from its primary areas of focus.

The oil and gas business is also subject to a number of operational risks and uncertainties relating to such matters as exploration and development success, technical drilling and production performance and equipment failure including blowouts and fires, reserve recovery rates and timing, availability of third-party natural gas transportation, environmental damage and competition with much larger and better-financed companies for scarce land, people and financial resources.

To manage these risks and uncertainties, Border Petroleum Corp. relies upon the expertise and creativity of its human resources, the development of strategic relationships with industry partners, modern exploration, engineering and business technology, professional environmental sensitivity assessments, and public liability, property damage and business interruption insurance.

Furthermore, the oil and gas industry is subject to extensive regulatory environments and fiscal regimes, both in Canada and internationally, which are subject to changes and beyond the control of the Corporation. The Corporation takes a proactive approach with respect to environment and safety. An operational emergency and response plan and safety policy are in place and the Corporation is in compliance with current environmental legislation.

DATE

This Management Discussion and Analysis is dated February 20, 2013.

ADDITIONAL INFORMATION

Additional information regarding Border Petroleum Corp. is available on SEDAR at www.sedar.com.

ABBREVIATIONS

Oil and Natural Gas Liquids		Natural Gas	
bbls	Barrels	Mcf	thousand cubic feet
Mbbls	thousand barrels	MMcf	million cubic feet
bbls/d	barrels of oil per day	Mcf/d	thousand cubic feet per day
boe/d	barrels of oil equivalent per day	m3	cubic meters
NGLs	natural gas liquids (consisting of any one or more of propane, butane and condensate thousand stock tank barrels of oil		
bpd	barrels of production per day		

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Other

boe *means barrels of oil equivalent. A barrel of oil equivalent is determined by converting a volume of natural gas to barrels using the ration of six (6) mcf to one (1) barrel. "boe" may be misleading, particularly if used in isolation the boe conversion*

ration of six (6) mcf: one (1) bbl is based on an energy equivalency methods primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

GORR *means gross overriding royalty*

CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	*Cubic meters*	*28.174*
cubic meters	*Cubic feet*	*35.494*
bbls	*Cubic meters*	*0.159*
feet	*meters*	*0.305*
acres	*hectares*	*0.405*

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SUMMARY OF QUARTERLY RESULTS

The Corporation's results of operations for the eight most recent fiscal quarters are summarized as follows:

	THREE MONTHS ENDED DEC 31/2013	THREE MONTHS ENDED SEP 30/2013	THREE MONTHS ENDED JUN 30/2013	THREE MONTHS ENDED MAR 31/2013
	Q3	**Q2**	**Q1**	**Q4**
Total Production Volumes				
Natural gas (Mcf)	24,278	67,159	55,260	62,366
Oil and NGL (bbl)	1,999	6,103	5,907	10,513
Combined (boe)	6,045	17,296	15,117	20,907
Daily Production				
Natural gas (Mcf per day)	264	730	607	693
Oil and NGL (bbl per day)	22	66	65	117
Combined (boe per day)	66	188	166	232
Gross Revenue				
Natural Gas	$ 89,338	$ 157,928	$ 224,856	$ 195,215
Oil and liquids	106,275	530,149	402,727	718,379
Total PNG Revenue	195,613	688,077	627,583	913,594
Royalty Expense				
Crown royalties	(11,920)	66,900	29,247	34,958
Freehold and overriding royalties	11,784	12,957	21,389	60,151
Total Royalty Expense	$ (136)	$ 79,857	$ 50,636	$ 95,109
Net Revenue after Royalties	**$ 195,749**	**$ 608,220**	**$ 576,947**	**$ 818,485**
Operating, transportation & workover	240,591	725,135	686,173	940,575
General and administrative	229,404	650,379	411,348	550,754
Transaction costs	-	-	-	-
Stock based compensation	39,171	114,268	114,268	105,495
Depletion and depreciation	133,177	396,429	319,301	436,766
Exploration and evaluation expense	-	-	-	941,790
Impairment	-	-	-	13,480,946
Income (loss) before finance expense and income taxes	$ (446,594)	$ (1,277,991)	$ (954,143)	$ (15,637,841)
Net finance (income) expense	$ (65,229)	$ 6,366	$ 31,234	$ 49,215
Deferred income tax (recovery)	(288,093)	(5,235)	-	(168,719)
Net and Comprehensive Loss	**$ (93,272)**	**$ (1,266,390)**	**$ (922,909)**	**$ (15,419,907)**
Basic income (loss) per share	$0.00	$0.00	$0.00	($0.06)
Average Price				
Natural gas ($ per Mcf)	$ 3.68	$ 2.35	$ 4.07	$ 3.13
Oil and NGL ($ per bbl)	$ 69.13	$ 86.87	$ 68.18	$ 68.33
$ per boe	$ 32.36	$ 39.78	$ 41.52	$ 43.70
Total Assets	**$ 20,855,430**	**$ 30,294,251**	**$ 32,797,057**	**$ 33,857,436**
Total Liabilities	**$ 3,653,468**	**$ 4,038,188**	**$ 5,388,872**	**$ 5,688,908**

Border Petroleum Corp.
Management's Discussion & Analysis

SUMMARY OF QUARTERLY RESULTS – continued

		THREE MONTHS ENDED DEC 31/2012		THREE MONTHS ENDED SEPT 30/2012		THREE MONTHS ENDED JUN 30/2012		THREE MONTHS ENDED MAR 31/2012
		Q3		**Q2**		**Q1**		**Q4**
Total Production Volumes								
Natural gas (Mcf)		67,152		56,705		75,775		108,283
Oil and NGL (bbl)		8,193		6,975		9,562		6,662
Combined (boe)		19,385		16,426		22,191		24,709
Daily Production								
Natural gas (Mcf per day)		730		616		833		1,190
Oil and NGL (bbl perday)		89		76		105		73
Combined (boe per day)		211		179		244		272
Gross Revenue								
Natural Gas	$	216,244	$	132,145	$	159,198	$	245,416
Oil and liquids		514,106		483,265		691,957		462,485
		730,350		615,410		851,155		707,901
Royalty Expense								
Crown royalties		17,701		(304)		26,670		1,329
Freehold and overriding royalties		66,325		22,356		64,972		40,764
	$	84,026	$	22,052	$	91,642	$	42,093
Net Revenue after Royalties	**$**	**646,324**	**$**	**593,358**	**$**	**759,513**	**$**	**665,808**
Operating and transportation		551,609		613,551		979,206		825,429
General and administrative		443,173		478,566		464,776		615,246
Transaction costs		-		-		-		100,001
Stock based compensation		257,304		261,205		261,715		266,037
Depletion, depreciation, accretion		386,101		328,788		432,838		776,951
Exploration and evaluation expense								-
Impairment								9,817,656
Income (loss) before finance expense and income taxes	$	(991,863)	$	(1,088,752)	$	(1,379,022)	$	(11,735,512)
Net finance (income) expense	$	(3,879)	$	(6,728)	$	18,322	$	(17,246)
Deferred income tax (recovery)		(1,224,585)		-		-		(960,000)
Net and Comprehensive loss	**$**	**228,843**	**$**	**(1,095,480)**	**$**	**(1,397,344)**	**$**	**(10,758,266)**
Basic income (loss) per share		$0.00		($0.01)		($0.01)		($0.05)
Average Price								
Natural gas ($ per Mcf)	$	3.22	$	2.33	$	2.10	$	2.27
Oil and NGL ($ per bbl)	$	62.75	$	69.29	$	72.37	$	69.42
$ per boe	$	37.68	$	37.47	$	38.36	$	28.65
Total Assets	**$**	**54,799,601**	**$**	**49,817,051**	**$**	**36,246,204**	**$**	**42,533,642**
Total Liabilities	**$**	**11,294,161**	**$**	**6,795,386**	**$**	**7,417,197**	**$**	**12,569,006**