BORDER PETROLEUM CORP.
(formerly Border Petroleum Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 28, 2013

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CALGARY, ALBERTA T2P 3G2

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 three months ended June 30, 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 August 28, 2012.

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.

OUTLOOK

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.

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 was 166 boe/d for the three months ended June 30, 2013 compared to 244 boe/d for the same period last year.

Producing Properties

Red Earth/Dawson, Alberta

The Corporation has oil and gas rights and working interests in 22,157 gross acres (22,111 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. With respect to Border's two short-leg horizontal wells on the Loon Block, the two wells are producing at restricted inflow due to waxing/asphaltene and have been intermittently shut-in due to weather related access issues. The Corporation has one well in the Dawson field located at 6-23-80-17W5M.

The Red Earth/Dawson production during the three months ended June 30, 2013, averaged 20 bbls/d compared to 53 bbls/d for the comparable period last year.

Leduc, Alberta

The Corporation has an interest in 4,820 gross acres (4564 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. The Leduc production for the three months ended June 30, 2013, averaged 120 boe/d compared to approximately 136 boe/d for the comparable period last year. This decrease is due to decline and the shutting in of the 14-32-49-26W4M well.

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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.
Norris production for the three months ended June 30, 2013, averaged 3 bbls/d compared to 15 bbls/d for the comparable period last year. This decrease is due to several wells being down for pump changes.

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. Cherhill / Majeau production for the three months ended June 30, 2013, averaged 7 boe/d compared to 8 boe/d for the comparable period last year.

Pembina/Brazeau, Alberta

Pembina shallow gas production averaged 16 boe/d for the three months ended June 30, 2013, compared to 32 boe/d for the comparable period last year.

Non-Producing Properties

Cardiff, Alberta

No production.

PRODUCTION SUMMARY

	THREE MONTHS ENDED JUNE 30		%
	2013	**2012**	**CHANGE**
Total Production			
Oil - bbls	**3,848**	8,254	(53)
Natural gas liquids - bbls	**2,059**	1,308	57
Natural Gas - Mcf	**55,260**	75,775	(27)
Total boe	**15,117**	22,191	(32)
Daily Production			
Oil - bbls per day	**42**	91	(54)
Natural gas liquids - bbls per day	**23**	14	64
Natural Gas - Mcf per day	**607**	833	(27)
Total boe per day	**166**	244	(32)

For the three months ended June 30, 2013, oil production decreased 53% to 3,848 bbls compared to 8,254 bbls for the same period last year. Natural gas production for the three months ended June 30, 2013, fell 27% to 55,260 mcf compared to 75,775 mcf for the comparable period last year. Natural gas liquids (“NGLs”) increased 57% to 2,059 bbls during the three months ended June 30, 2013 compared to 1,308 bbls for the same period last year. Total production expressed in boe for the three months ended June 30, 2013, decreased 32% to 15,117 boe compared to 22,191 boe last year. The decrease in oil production is primarily attributable to the underperformance of the new drills in the Loon area and wet weather conditions in the Red Earth area which shut-in the wells due to limited road access. Oil production in the Norris area was suspended due to pump changes at several wells. Natural gas production in Leduc fell due to re-equipping of the 14-32 well; however production is expected to increase as produced water inflow decreases. Low natural gas prices over the last two years have resulted in steadily declining production in the Pembina area as many wells were uneconomical and shut-in.

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PRICING SUMMARY

	THREE MONTHS ENDED JUNE 30 2013	2012	% CHANGE
Oil - $ per bbl	**$ 80.42**	$ 74.27	8
Natural gas liquids - $ per bbl	**$ 45.29**	$ 60.35	(25)
Natural Gas - $ per Mcf	**$ 4.07**	$ 2.10	94
$ per boe	**$ 41.52**	$ 38.36	8

During the three months ended June 30, 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 three months ended June 30, 2013, the average boe price was $41.52 compared to $38.36 last year. This increase in average boe price is the result of higher natural gas prices and oil prices compared to 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.

REVENUE

	THREE MONTHS ENDED JUNE 30 2013	2012	% CHANGE
Oil	**$ 309,468**	$ 613,015	(50)
Natural gas liquids	**93,259**	78,942	18
Natural Gas	**224,856**	159,198	41
Total Working Interest Revenue	**$ 627,583**	$ 851,155	(26)
$ per boe	**$ 41.52**	$ 38.36	8

Total revenue for the three months ended June 30, 2013, decreased 26% totaling $627,583 compared to $851,155 last year due primarily to lower oil and natural gas sales volumes, which exceeded offsetting gains in natural gas and oil prices.

Compared to last year, oil revenue fell by $303,547 due to a 108% decrease in oil sales volumes, which was slightly offset by an 8% increase in the average oil sales price. Natural gas revenue increased by $65,658 or 41% over the same period last year, due to a 94% higher average price. This was offset by a 27% drop in gas sales volumes. Natural gas liquids increased by $14,317 or 18% over the same period last year due to a 57% increase in sales volume.

ROYALTY SUMMARY

	THREE MONTHS ENDED JUNE 30 2013	2012	% CHANGE
Crown	**$ 29,247**	$ 26,670	10
Overriding and Freehold	**21,389**	64,972	(67)
Total Royalty Expense	**$ 50,636**	$ 91,642	(45)
$ per boe	**$ 3.35**	$ 4.13	(19)
Expense rate - % of total working interest revenue	**8**	11	(27)

Total royalties paid for the three months ended June 30, 2013, decreased by 45% to $50,636 compared to $91,642 for the same quarter last year. On a $ per boe basis, total royalties decreased by 19% to $3.35 per boe for the three months ended June 30, 2013, compared to $4.13 per boe for the same three months last year.

Royalties expressed as a percentage of total working interest revenue was 8% for the quarter ended June 30, 2013, compared to 11% for the comparable quarter last year. Natural gas at June 30, 2013, accounts for 56% of the Corporation's revenue and due to low prices, the sliding royalty scale and the gas cost allowance credits, gas Crown royalties remain low.

OPERATING AND TRANSPORTATION EXPENSES

	THREE MONTHS ENDED JUNE 30		%
	2013	**2012**	**CHANGE**
Production expenses	**$ 390,361**	$ 627,848	(38)
Transportation and gathering	**241,512**	351,358	(31)
	631,873	979,206	(35)
Workover expenses	**54,300**	-	-
Total Production Expenses	**$ 686,173**	$ 979,206	(30)
$ per boe Total production expenses	**$ 45.39**	$ 44.13	3
Production expenses	**$ 25.82**	$ 28.30	(9)
Transportation & gathering	**$ 15.98**	$ 15.83	1
Workover expenses	**$ 3.59**	$ -	-
Expense rate - % of total working interest revenue	**109**	115	(5)

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 three months ended June 30, 2013, decreased 35% to total $631,873 compared to $979,206 last year. The transportation and gathering expense component of the production costs for the quarter ended June 30, 2013, decreased 31% to $241,512 compared to $351,358 last year, due to decreased water production from the Leduc field and the Red Earth field. Total production expenses for the three months ended June 30, 2013, fell 30% to $686,173 compared to $979,206 last year. When expressed as a $ per boe, total production expenses increased by 3% due primarily to a decrease in overall production volumes.

GENERAL AND ADMINISTRATIVE EXPENSES

	THREE MONTHS ENDED JUNE 30		%
	2013	**2012**	**CHANGE**
General and administration	**$ 411,348**	$ 464,776	(11)
	411,348	464,776	(11)
$ per boe	**$ 27.21**	$ 20.94	30
Expense rate - % of total working interest revenue	**66**	55	20

General and administrative expenses for the three months ended June 30, 2013, decreased by 11% totaling $411,348 compared to $464,776 for the first 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.

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	THREE MONTHS ENDED JUNE 30		%
	2013	2012	CHANGE
Finance income			
Interest income	$ 38,425	$ 54,464	(29)
	38,425	54,464	(29)
Finance expenses			
Interest expense	2,230	9,912	(78)
Interest expense on note payable	-	27,439	(100)
Accretion on convertible note payable	-	28,362	(100)
Accretion of decommissioning provisions	4,961	7,073	(30)
	7,191	72,786	(90)
Net finance income (expense)	31,234	(18,322)	(270)
Finance income (expense) cash items	36,195	44,552	(19)
Finance expense non-cash items	(4,961)	(62,874)	(92)
Net finance income (expense)	31,234	(18,322)	(270)
$ per boe - finance income (expense) cash items	$ 2.39	$ 2.01	19
$ per boe - finance expense non-cash items	$ (0.33)	$ (2.83)	(88)
$ per boe - net finance income (expense)	$ 2.06	$ (0.82)	(351)

DEPLETION AND DEPRECIATION

	THREE MONTHS ENDED JUNE 30		%
	2013	2012	CHANGE
Depletion & depreciation	$ 319,301	$ 432,838	(26)
	$ 319,301	$ 432,838	(26)
$ per boe - Depletion, depreciation	$ 21.12	$ 19.51	8
Expense rate - % of working interest revenue	51	51	-

Depletion and depreciation expense for the three months ended June 30, 2013, totaled $319,301 or $21.12 per boe compared to $432,838 or $19.51 per boe for the same period last year. Sales volumes decreased 32% resulting in higher depletion costs per boe for the current quarter compared to last year.

SHARE CAPITAL

Issued and Outstanding Common Shares

As at June 30, 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 June 30, 2013 and March 31, 2013, the Corporation had no warrants outstanding.

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STOCK BASED COMPENSATION

	THREE MONTHS ENDED JUNE 30 2013	THREE MONTHS ENDED JUNE 30 2012	% CHANGE
Stock based compensation	**$ 114,268**	$ 261,715	(56)
$ per boe	**$ 7.56**	$ 11.79	(36)
Expense rate - % of working interest revenue	**18**	31	(42)

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 June 30, 2013 and March 31, 2013, the Corporation had 14,625,000 stock options outstanding with a weighted average exercise price of $0.23 and 6,408,334 of these stock options were exercisable at a weighted average price of $0.23. There were no stock options granted during the three months ended June 30, 2013.

Compensation costs of $114,268 for the three months ended June 30, 2013, (June 2012 - $261,715) have been expensed and have resulted in a corresponding increase in contributed surplus.

AVERAGE SHARES OUTSTANDING

The weighted average number of shares outstanding ended June 30, 2013 totaled 332,978,953 compared to 224,537,953 at June 30, 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	14,625,000

NET LOSS AND COMPREHENSIVE LOSS

	THREE MONTHS ENDED JUNE 30 2013	THREE MONTHS ENDED JUNE 30 2012	% CHANGE
Net income (loss) for period	**$ (874,611)**	$ (1,397,344)	(37)
Income (Loss) per share	**$ (0.00)**	$ (0.01)	(58)

A net loss and comprehensive loss of ($874,611) was recorded for the first quarter ended June 30, 2013, compared to a net loss and comprehensive loss of ($1,397,344) for the first quarter last year

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NET PETROLEUM AND NATURAL GAS REVENUE

	THREE MONTHS ENDED JUNE 30		
	2013	**2012**	**% CHANGE**
Petroleum & Natural Gas Revenue	**$ 627,583**	$ 851,155	(26)
Less:			
Royalties	**50,636**	91,642	(45)
Production expenses	**631,873**	979,206	(35)
Workover expenses	**54,300**	-	-
Net Petroleum & Natural Gas Revenue	**$ (109,226)**	$ (219,693)	50
$ per boe	**$ (7.23)**	$ (9.90)	27

Gross revenue from petroleum and natural gas decreased 26% to total $627,583 for the quarter ended June 30, 2013, compared to $851,155 for the comparable quarter last year. The net petroleum and natural gas loss after royalties, production and workover expenses for the three months ended June 30, 2013 was ($109,226) compared to a loss of ($219,693) for the comparable period last year.

NETBACKS

	THREE MONTHS ENDED JUNE 30		
	2013	**2012**	**% CHANGE**
$ per boe			
Working Interest Revenue	**$ 41.52**	$ 38.36	8
Royalties	**3.35**	4.13	(19)
Production expense	**25.82**	28.30	(9)
Gather/transportation	**15.98**	15.83	1
Workover expenses	**3.59**	-	-
Total after royalties and production expenses	**$ (7.22)**	$ (9.90)	(27)
General and administration and transaction costs	**27.21**	20.94	30
Finance income cash items	**2.39**	2.01	19
Total Corporate Netbacks	**$ (32.04)**	$ (28.83)	11
Non-Cash Items			
Depletion, depreciation and accretion	**21.12**	19.51	8
Stock based compensation	**7.56**	11.79	(36)
Finance expense non-cash items	**(0.33)**	(2.83)	(88)
Deferred tax expense (recovery)	**(3.19)**	-	-
Total Netbacks after non-cash items (*)	**$ (57.86)**	$ (62.96)	(8)

Field netbacks for the three months ended June 30, 2013, were losses of ($7.22) per boe compared to a loss of ($9.90) per boe for the comparable quarter last year. Total netbacks after non-cash items for the quarter ended June 30, 2013, were losses of ($57.86) per boe compared to ($62.96) per boe for the comparable quarter last year.

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CAPITAL ADDITIONS

	THREE MONTHS ENDED JUNE 30 2013	THREE MONTHS ENDED JUNE 30 2012	% CHANGE
Exploration and evaluation assets	**$ 168,945**	$ (136,595)	(224)
Property and equipment			
Land and lease costs	**1,824**	456,936	(100)
Geophysical and seismic	**2,400**	813,905	(100)
Drilling and completions	**244,835**	575,000	(57)
Production equipment and facilities	**21,735**	-	-
Property acquisitions	**(1,966)**	54,907	(104)
Asset retirement	**2,035**	6,566	(69)
Furniture & computers	**-**	-	-
Total	**$ 439,808**	$ 1,770,719	(75)

Total asset additions were $439,808 for the three months ended June 30, 2013, compared to $1,770,719 for the comparable quarter last year. These additions included $ 2,035 of non-cash decommissioning adjustments. The additions to capital expenditures this quarter relate primarily to the completion and equipping of the 10-15 Red Earth horizontal well drilled during December 2012.

BANK DEBT

The Corporation has no bank debt outstanding under a demand revolving operating loan at June 30, 2013, (June 30, 2012 - $Nil). This facility provides that advances be made by way of prime-based loans and letters of credit to an aggregate maximum of $3,500,000. The facility bears interest of prime plus 1.25% per annum on prime-based loans and 2.00% per annum with a minimum fee of $200 for letters of credit. There is also a non-refundable facility fee calculated at a rate of 0.25% per annum, payable monthly, calculated on the unused portion of the authorized amount of this facility.

Under the terms of the credit facility, the Corporation must maintain a working capital ratio no less than 1:1 adjusted for any un-drawn portion of the revolving facility and excluding the mark to market impact of forward commodity contracts, if applicable.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2013, Border had working capital (current assets minus current liabilities) of $6,501,972 compared to working capital of $7,417,998 at March 31, 2013.

	JUNE 30 2013	MARCH 31 2013	% CHANGE
Cash	**$ 7,012,194**	**$ 8,266,710**	(15)
Accounts receivable and prepaid expenses	**1,440,548**	**1,394,733**	3
Investment in secured debt	**933,008**	**899,067**	4
Accounts payable and accrued liablities	**(2,883,778)**	**(3,142,512)**	(8)
	$ 6,501,972	**$ 7,417,998**	(12)

Pursuant to its joint venture with the Loon River Cree Nation, as well as its current land holdings at its Red Earth core areas, Border has a significant drilling portfolio.

The Corporation has a credit facility for a demand revolving operating loan of $3,500,000. At March 31, 2013, the Corporation had not drawn on the credit 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 three months ended June 30, 2013, the Corporation incurred $7,724 (June 30, 2012 - $9,210) on legal service, 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 June 30, 2013, the Corporation had incurred $750,750 on qualifying CDE expenditures and $8,137,494 CEE expenditures toward fulfilling these flow-through share spending commitments.

(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 three months ended June 30, 2013, total cash payments of $6,837 have been paid.

(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 remain at an early stage and management has determined that the likelihood of any loss occurring as being remote and has accrued no amounts related to this claim at March 31, 2013 (see 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	- 2014	$	169,344
	- 2015		150,528
		$	319,872

SUBSEQUENT EVENTS

On April 29, 2013, the Corporation 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.

On July 29, 2013, it was announced that Mr. Kelly Kimbley, CEO and President and Mr. Peter Fridrich, Vice President Exploration, were no longer with the Corporation. Mr. Kimbley also stepped down as a director of the Corporation.

Border's Chairman, Mr. 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.

RISK FACTORS

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.

- 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.

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 June 30, 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:

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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 June 30, 2012 and there is $589,166 in accounts receivable outstanding greater than 90 days at June 30, 2012, 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 June 30, 2013, is comprised of $1,440,548 in accounts receivable, $144,248 in lease reclamation deposits, $933,008 in investment in secured debt and $7,012,194 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 quarter ended June 30, 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 June 30, 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.

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

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 August 28, 2012.

ADDITIONAL INFORMATION

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

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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		

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 JUN 30/2013	THREE MONTHS ENDED MAR 31/2013	THREE MONTHS ENDED DEC 31/2012	THREE MONTHS ENDED SEPT 30/2012
	Q1	Q4	Q3	Q2
Total Production Volumes				
Natural gas (Mcf)	55,260	62,366	67,152	56,705
Oil and NGL (bbl)	5,907	10,513	8,193	6,975
Combined (boe)	15,117	20,907	19,385	16,426
Daily Production				
Natural gas (Mcf per day)	607	693	730	616
Oil and NGL (bbl per day)	65	117	89	76
Combined (boe per day)	166	232	211	179
Gross Revenue				
Natural Gas	$ 224,856	$ 195,215	$ 216,244	$ 132,145
Oil and liquids	402,727	718,379	514,106	483,265
Total PNG Revenue	627,583	913,594	730,350	615,410
Royalty Expense				
Crown royalties	29,247	34,958	17,701	(304)
Freehold and overriding royalties	21,389	60,151	66,325	22,356
Total Royalty Expense	$ 50,636	$ 95,109	$ 84,026	$ 22,052
Net Revenue after Royalties	**$ 576,947**	**$ 818,485**	**$ 646,324**	**$ 593,358**
Operating, transportation & workover	686,173	940,575	551,609	613,551
General and administrative	411,348	550,754	443,173	478,566
Transaction costs	-	-	-	-
Stock based compensation	114,268	105,495	257,304	261,205
Depletion and depreciation	319,301	436,766	386,101	328,788
Exploration and evaluation expense	-	941,790		
Impairment	-	13,480,946		
Income (loss) before finance expense and income taxes	$ (954,143)	$ (15,637,841)	$ (991,863)	$ (1,088,752)
Net finance (income) expense	$ 31,234	$ 49,215	$ (3,879)	$ (6,728)
Deferred income tax recovery	-	(168,719)	(1,224,585)	-
Net and Comprehensive Loss	**$ (922,909)**	**$ (15,419,907)**	**$ 228,843**	**$ (1,095,480)**
Basic income (loss) per share	$0.00	($0.06)	$0.00	($0.01)
Average Price				
Natural gas ($ per Mcf)	$ 4.07	$ 3.13	$ 3.22	$ 2.33
Oil and NGL ($ per bbl)	$ 68.18	$ 68.33	$ 62.75	$ 69.29
$ per boe	$ 41.52	$ 43.70	$ 37.68	$ 37.47
Total Assets	**$ 32,797,057**	**$ 33,857,436**	**$ 54,799,601**	**$ 49,817,051**
Total Liabilities	**$ 5,388,872**	**$ 5,688,908**	**$ 11,294,161**	**$ 6,795,386**

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SUMMARY OF QUARTERLY RESULTS – continued

	THREE MONTHS ENDED JUN 30/2012	THREE MONTHS ENDED MAR 31/2012	THREE MONTHS ENDED DEC 31/2011	THREE MONTHS ENDED SEPT 30/2011
	Q1	**Q4**	**Q3**	**Q2**
Total Production Volumes				
Natural gas (Mcf)	75,775	108,283	132,040	83,296
Oil and NGL (bbl)	9,562	6,662	12,084	7,826
Combined (boe)	22,191	24,709	34,091	21,708
Daily Production				
Natural gas (Mcf per day)	833	1,190	1,435	905
Oil and NGL (bbl perday)	105	73	131	85
Combined (boe per day)	244	272	371	236
Gross Revenue				
Natural Gas	$ 159,198	$ 245,416	$ 441,222	$ 312,657
Oil and liquids	691,957	462,485	1,060,230	560,719
Total PNG Revenue	851,155	707,901	1,501,452	873,376
Royalty Expense				
Crown royalties	26,670	1,329	52,780	52,887
Freehold and overriding royalties	64,972	40,764	87,862	28,123
Total Royalty Expense	$ 91,642	$ 42,093	$ 140,642	$ 81,010
Net Revenue after Royalties	**$ 759,513**	**$ 665,808**	**$ 1,360,810**	**$ 792,366**
Operating and transportation	979,206	825,429	904,548	722,065
General and administrative	464,776	615,246	528,364	414,859
Transaction costs	-	100,001	142,799	61,426
Stock based compensation	261,715	266,037	102,074	23,443
Depletion, depreciation, accretion	432,838	776,951	517,757	315,062
Exploration and evaluation expense		-	-	-
Impairment		9,817,656	-	-
Income (loss) before finance expense and income taxes	$ (1,379,022)	$ (11,735,512)	$ (834,732)	$ (744,489)
Net finance (income) expense	$ 18,322	$ (17,246)	$ 24,678	$ 27,744
Deferred income tax recovery	-	(960,000)	-	$ -
Net and Comprehensive loss	**$ (1,397,344)**	**$ (10,758,266)**	**$ (859,410)**	**$ (772,233)**
Basic income (loss) per share	($0.01)	($0.05)	($0.01)	($0.01)
Average Price				
Natural gas ($ per Mcf)	$ 2.10	$ 2.27	$ 3.34	$ 3.75
Oil and NGL ($ per bbl)	$ 72.37	$ 69.42	$ 87.74	$ 71.65
$ per boe	$ 38.36	$ 28.65	$ 44.04	$ 40.23
Total Assets	**$ 36,246,204**	**$ 42,533,642**	**$ 46,353,543**	**$ 26,961,591**
Total Liabilities	**$ 7,417,197**	**$ 12,569,006**	**$ 5,897,104**	**$ 8,601,864**