BORDER PETROLEUM CORP.

(formerly Border Petroleum Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 28, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). Throughout this discussion, percentage changes are calculated using numbers rounded to the decimal to which they appear.

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 the audited financial statements for the year ended March 31, 2011, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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.

SPECIAL NOTE REGARDING 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) are not IFRS measures and do not have standardized meanings prescribed by IFRS.

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.

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 Moneta Resources Inc. to Border Petroleum Inc. on August 8, 2008 and to Border Petroleum Corp. on September 14, 2010. The Corporation changed its fiscal year end from April 30 to March 31 during 2010.

HIGHLIGHTS

- On May 10, 2011, the Corporation announced that it entered into a new joint venture (the "new Joint Venture") with the wholly-owned energy company of the Loon River Cree Nation (the "Nation"). Under the terms of the new Joint Venture, Border has been granted the opportunity to work directly with the Nation to develop up to 17,120 acres (26.75 sections) of the Slave Point formation in the Red Earth area of north central Alberta. The new Joint Venture provides for Border to conduct earning operations in the form of re-entries into existing wellbores and new drills on up to 26.75 sections of the Nation's lands subject to the continued Indian Oil and Gas Canada and Nation lease approval process. Under the new Joint Venture, Border pays 100% of the costs of each earning operation and receives a 100% payout account for that well subject to an industry standard gross overriding royalty ("GORR") in favour of the Nation. Further, for having conducted each earning operation under the applicable lease, Border will have earned a 90% working interest in the balance of the lease for conducting horizontal wells and a 50% working interest for conducting re-entries. With respect to subsequent re-entries or new drills into earned Slave Point rights, the Nation will have the option to participate as to its working interest share in each well or receive a GORR.

- On April 14, 2011, the Corporation announced it entered into an agreement dated April 8, 2011 with Canflame Energy Ltd. (“Canflame”), to complete a business combination pursuant to which Border was to acquire all of the issued and outstanding shares of Canflame (the "Transaction"). Pursuant to the Transaction, Border announced it would acquire approximately 20,794 net acres (32.5 sections) of land primarily in central Alberta and the greater Red Earth area of north central Alberta in consideration for the issuance of approximately 36.54 million common shares of Border ("Border Shares"). On June 15, 2011 the Corporation entered into an amalgamation agreement (the "Agreement") among the Corporation, Canflame Energy Ltd. ("Canflame") and 1603864 Alberta Ltd., a wholly owned subsidiary of the Corporation. Pursuant to the Agreement, the parties effect a business combination by way of an amalgamation (the "Amalgamation") whereby the Corporation acquires all of the issued and outstanding shares of Canflame ("Canflame Shares") pursuant to the provisions of the Business Corporations Act (Alberta). Pursuant to the Agreement, shareholders and debenture holders of Canflame (the "Canflame Stakeholders") receive 36,537,826 common shares of Border. Pursuant to the Agreement, seventy-five percent (75%) of the Border common shares issued to the Canflame Stakeholders are subject to a voluntary hold period of four months from the date of closing of the Amalgamation. The amalgamation closed on July 13, 2011.

- The Corporation also announced on April 14, 2011 that it entered into a purchase and sale agreement (the "PSA") dated April 11, 2011 with a private company (the "Vendor") to acquire certain interests and assets under a farmout agreement between Canflame and the Vendor (the "Farmout") pertaining to Canflame's Leduc lands. Under the PSA, Border acquired: (i) a test well drilled under the Farmout; (ii) 1.25 net sections of land; (iii) the option to drill subsequent wells on Canflame’s lands earning on a well by well basis; and (iv) a right of first refusal to acquire all other Canflame’s lands. Pursuant to the PSA, Border paid consideration of $2,572,265, consisting of (i) $1,000,000 cash; and (ii) the issuance of a promissory note of Border in the amount of $1,572,265 bearing an interest rate of 7% compounded annually for a period of two years from the date of issuance and convertible into Border Shares at a price of $0.30 per share for a period of two years from the date of issuance of the promissory note.

OPERATIONS

The Corporation's average net daily production for the period ended June 30, 2011 was 25 bbls per day of oil and liquids and 27 Mcf per day of natural gas, for a total of 29 boe/d. These volumes do not include the production of Canflame Energy Ltd. which was acquired in July 2011. The Corporation's operations and production were curtailed during the period as a result of forest fires and the shutting down of the Rainbow pipeline and as a result of adverse weather conditions. On August 30, 2011, the Rainbow pipeline recommenced operations and Border is working to bring its Red Earth production up to full capacity. The Corporation's current production based on field estimates is approximately 300 boe/d.

Producing Properties

Norris, Alberta

The Corporation has various working interests varying from 57.5% to 100% in 1,040 net acres in the Norris area of central Alberta which also consists of five producing oil wells and one water disposal well. During the quarter ended June 30, 2011 the combined production from these wells averaged 4.7 bbls of oil per day. 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.

Cherhill, Alberta

Border has a 37.5% working interest in 640 acres (240 net acres) in the Cherhill area of southwestern Alberta. The well, 100/03-25-56-04W5, produces from the Glauconite formation and was placed back on production during the third quarter ended January 31, 2010 after completing a workover program. During the quarter ended June 30, 2011 the combined natural gas and liquids sales averaged 4.5 boe per day.

Cardiff, Alberta

The Corporation has a 100% working interest in 640 acres in the Cardiff area of central Alberta which consists of one Mannville oil well located at 100/14-34-55-01W5. The well remained shut in during this reporting period pending a technical review of resource optimization options. Management expects to finalize and commence, weather permitting, production enhancement operations on the well in the next quarter.

Red Earth, Alberta

The Corporation has a 100% working interest in 2,080 acres in the Red Earth area of north central Alberta. The Corporation re-entered 5 wells on these lands in the last reporting period. Border has a 100% working interest in the wells 100/11-06-87-11W5M, 00/9-06-86-10W5M, 00/13-36-85-11W5M, 100/4-15-88-12W5M and 00/08-28-88-12W5M. Four wells have been fracture stimulated and put on production to date. The 08-28-88-12W5M is awaiting stimulation services. Average daily sales volumes from the wells for the quarter were 17 boe/d. Due to the Rainbow pipeline being shut in, adverse weather/access conditions and forest fires in the area, production was intermittent during the period ended June 30, 2011.

Leduc, Alberta

The Corporation has a 100% working interest in the well 15-19-49-26W4M and 800 gross acres in the Leduc area of central Alberta. The Corporation equipped the 15-19-49-26W4M and commenced production in the middle of May and recovered load fluids during the remainder of the quarter. Consequently, average daily production from the well for the quarter was 3 boe/d. The well began producing clean oil on September 16, 2011 and is currently producing at a rate of approximately 20 boe/d while awaiting stimulation services.

Non-Producing Properties

Phat City, Montana, USA

The Corporation entered into a sub-participation agreement with Triangle USA Petroleum Corporation Ltd. ("Triangle"), which assigned Triangle's rights in an exploration agreement between Triangle and Hunter Energy LLC. The agreement requires the Corporation to pay 33 1/3% of the cost to drill one vertical test well on certain joint participation lands consisting of a 33,831 net acre land position in the State of Montana, USA to earn a 25% non-operating working interest. This is an exploration project for Nisku and Bakken oil on the west side of Williston Basin.

PRODUCTION SUMMARY

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Total Production			
Oil and Liquids - bbls	**2,279**	2,462	(7.4)
Natural Gas - Mcf	**2,428**	3,546	(31.5)
Total boe	**2,684**	3,053	(12.1)
Daily Production			
Oil and Liquids - bbls per day	**25**	27	(7.4)
Natural Gas - Mcf per day	**27**	39	(30.8)
Total boe per day	**29**	34	(14.7)

For the first quarter ended June 30, 2011, oil and liquids production was down 7.4% to 2,279 bbls compared to 2,462 bbls for the same period last year. Natural gas production for the first quarter ended June 30, 2011 was down 31.5% to 2,428 mcf compared to 3,546 mcf for the three months ended June 30, 2010. Total boe produced for the quarter of 2,684 was down 12.1% compared to 3,053 boe for the first quarter ended June 30, 2010. The decrease in production was primarily due to the interruptions caused by the closure of the Rainbow pipeline, forest fires in the Red Earth area and the excessively wet weather conditions. Daily oil and liquids production for the quarter ended June 30, 2011 decreased 7.4% to 25 boe compared to 27 boe for the same quarter ended June 30, 2010. Total boe produced per day for the three months ended June 30, 2011 was down 14.7% to 29 boe compared to 34 boe for the same quarter last year.

With Red Earth and Leduc production back on, current production based on field estimates is approximately 300 boe/d.

PRICING SUMMARY

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Oil and Liquids - $ per bbl	**$ 101.78**	$ 67.46	50.9
Natural Gas - $ per Mcf	**$ 4.22**	$ 4.24	(0.5)
$ per boe	**$ 90.24**	$ 59.32	52.1

For the quarter ended June 30, 2011 and the comparable quarter last year, Border sold all its oil and natural gas production at spot prices and did not enter into any long-term, fixed price marketing contracts or derivative financial instruments.

REVENUE

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Oil and Liquids	**$ 231,963**	$ 166,083	39.7
Natural Gas	**10,253**	15,020	(31.7)
Total Working Interest Revenue	**$ 242,216**	$ 181,103	33.7
$ per boe	**$ 90.24**	$ 59.32	52.1

Total revenue for the quarter ended June 30, 2011 was $242,216 compared to $181,103 for the comparable quarter in 2010, an increase of 33.7%. This increase was due to new production being brought on at Red Earth. On a $ per boe basis, total working interest revenue for the quarter ended June 30, 2011 increased 52.1% to $90.24 per boe compared to $59.32 per boe for the quarter ended June 30, 2010.

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ROYALTY SUMMARY

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Crown	**$ (3,468)**	$ (307)	(1,029.6)
Overriding and Freehold	**7,933**	17,746	(55.3)
Total Royalty Expense	**4,465**	17,439	(74.4)
$ per boe	**$ 1.66**	**$ 5.71**	(70.9)
Expense rate - % of total working interest revenue	**1.8**	9.6	(81.3)

Total royalties paid for the quarter ended June 30, 2011 fell by 74.4% to $4,465 compared to $17,439 for the comparable quarter last year. On a $ per boe, total royalties fell by 70.9% to $1.66 for the quarter ended June 30, 2011 compared to $5.71 per boe for the comparable quarter last year. The decrease is a result of the Corporation's decrease in production volumes. Expenses rate, expressed as a percentage of total working interest revenue was 1.8% for the quarter ended June 30, 2011 compared to 9.6% for the same quarter last year.

OPERATING AND TRANSPORTATION EXPENSES

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Production expenses	**$ 202,525**	$ 156,093	29.7
Transportation and gathering	**17,949**	7,217	148.7
	220,474	163,310	35.0
Workover expenses	**34,255**	-	100.0
Total Production Expenses	**$ 254,729**	$ 163,310	56.0
$ per boe Total production expenses	**$ 94.91**	$ 53.49	77.4
Production, transportation & gathering	**$ 82.14**	$ 53.49	53.6
Workover expenses	**$ 12.76**	$ -	100.0
Expense rate - % of total working interest revenue	**105.2**	90.2	16.6

Production expenses, excluding workovers, for the quarter ended June 30, 2011 increased 35% totaling $220,474 compared to $163,310 for the comparable quarter last year. Fixed production costs and new well start-up costs, as well as additional trucking costs are the primary reasons operating costs are high. This is particularly evident when wells are shut-in resulting in high per boe costs. Transportation and gathering expenses for the quarter ended June 30, 2011 increased 148.7% to $17,949 compared to $7,217 for the comparable quarter last year due to the closure of the Rainbow pipeline, which forced Border to truck more fluids than usual. Workovers on the Norris wells during this quarter resulted in costs of $34,255 compared to no workover activity for the comparable period last. Total production expenses for the quarter ended June 30, 2011 increased 56.0% to $254,729 compared to $163,310 for the same quarter last year. Total production expenses, expressed as a $ per boe, increased 77.4% to $94.91 for this quarter compared to $53.49 for the same quarter last year. The increase in the $ per boe from the quarter last year compared to this quarter is the result of workover costs and higher operating costs that should have been offset by higher production, however, Red Earth wells were shut-in during the period due to the closure of the Rainbow pipeline.

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GENERAL AND ADMINISTRATIVE EXPENSES

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
General and administration	**$ 281,773**	$ 210,751	33.7
Transaction costs	**90,378**	$ -	100.0
	372,151	**210,751**	76.6
$ per boe	**$ 138.66**	$ 69.03	100.9
Expense rate - % of total working interest revenue	**153.6**	116.4	32.0

General and administrative expenses for the quarter ended June 30, 2011 increased by 76.6% totaling $372,151 compared to $210,751 for the same quarter last year. During this first quarter, general and administration expense per boe increased 100.9% to $138.66 per boe compared to $69.03 for the comparable quarter last year. Since June 30, 2010, Border has implemented its strategy to acquire and grow two or three core producing areas. This increased activity and scope has resulted in additional personnel, both salaried and part-time consulting in all disciplines. During the first quarter of last year, the only salaried employee was the President/CEO. During the current quarter ended June 30, 2011, additional salaried employees include a Chief Financial Officer, Chief Operating Officer and two accounting/administrative staff. Legal fees and associated costs totaling approximately $91,000 have also been incurred in the current quarter pursuant to a business combination with Canflame Energy Ltd. that subsequently closed on July 13, 2011.

FINANCE INCOME AND EXPENSES

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Finance income			
Interest income	**$ 34,090**	-	100.0
	34,090	-	100.0
Finance expenses			
Interest expense on convertible debentures	**-**	21,456	(100.0)
Interest expense on note payable	**24,122**	**-**	100.0
Accretion on convertible note payable	**23,139**	**-**	100.0
Accretion of decommissioning provisions	**2,698**	4,626	(41.7)
	49,959	26,082	91.5
Finance income (cash items)	**9,968**	(21,456)	146.5
Finance expense (non-cash items)	**(25,837)**	(4,626)	458.5
Net finance income (expense)	**(15,869)**	(26,082)	39.2
$ per boe - finance expense (cash items)	**$ 3.71**	**$ (7.03)**	(152.8)
$ per boe - finance expense (non-cash items)	**$ (9.63)**	**$ (1.52)**	533.6

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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DEPLETION AND DEPRECIATON

	THREE MONTHS ENDED JUNE 30 2011	JUNE 30 2010	INCREASE (DECREASE) %
Depletion, depreciation	**$ 56,906**	3,712	1,433.0
	$ 56,906	$ 3,712	1,433.0
$ per boe	**$ 21.20**	$ 1.22	1,637.7
Expense rate - % of working interest revenue	**23.5**	2.1	1,075.0

Depletion and depreciation expense for the quarter ended June 30, 2011 totaled $56,906 or $21.20 per boe compared to $3,712 for the comparable quarter ended June 30, 2010 or $1.22 per boe. The change in depletion from this quarter compared to the same quarter last year is primarily the result of the acquisition of a farm-in agreement and the drilling and completion of a horizontal well both within the Leduc area of Alberta.

SHARE CAPITAL

Issued and Outstanding Common Shares

The following table states the issued and outstanding share capital of the Corporation:

	June 30, 2011 Number	Stated Value
Balance, beginning of period	70,586,293	$ 15,965,618
Share issue costs		(35,712)
Balance, end of period	70,586,293	$ 15,929,906

As at June 30, 2011 and March 31, 2011, the Corporation had 70,586,293 common shares issued and outstanding with a stated value of $15,929,906 and $15,965,618 respectively. During the period ended June 30, 2011, the Corporation recorded additional share issuance costs of $35,712 related to previously issued common shares.

Warrants

At June 30, 2011 and March 31, 2011, the Corporation had 14,427,500 warrants outstanding at a weighted average exercise price of $0.33 and a stated value of $695,426.

STOCK BASED COMPENSATION

The Corporation has an established 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 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 no earlier than 33.33% to 50% at grant date and 33.33% to 25% at each of twelve and twenty-four months following the grant date.

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	June 30, 2011		June 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,923,750	$0.25	7,295,000	$0.10
Granted	-	-	-	-
Forfeited	(275,000)	$0.29	(3,000,000)	$0.10
Outstanding at June 30	2,648,750	$0.25	4,295,000	$0.10
Exercisable, end of period	1,332,396	$0.28	2,147,500	$0.10

STOCK BASED COMPENSATION	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Stock based compensation	**$ 18,759**	$ (2,067)	1,007.5
$ per boe	**$ 6.99**	$ (0.68)	1,127.9
Expense rate - % of total working interest revenue	**7.7**	(1.1)	800.0

Stock-based compensation for the quarter ended June 30, 2011 was $18,759 or $6.99 per boe compared to ($2,067) or ($0.68) per boe for the same quarter last year. The Corporation calculates the stock based compensation using the Black-Scholes option-pricing model. For the quarter ended June 30, 2011, no new options were granted and 275,000 options were forfeited. At June 30, 2011 there were 1,332,396 options that were exercisable.

SHARES OUTSTANDING

The weighted average shares outstanding during the quarter ended June 30, 2011 were 70,586,293 compared to 18,616,066 (post 4:1 share consolidation) for the quarter ended June 30, 2010. On September 14, 2010, the TSX Venture Exchange provided final acceptance of the consolidation of the Corporation's shares on a basis of one common share for each four pre-consolidation common shares.

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

Common shares	70,586,293
Stock options	2,648,750
Warrants	14,427,500

NET LOSS AND COMPREHENSIVE LOSS

	THREE MONTHS ENDED JUNE 30 2011	THREE MONTHS ENDED JUNE 30 2010	INCREASE (DECREASE) %
Net income (loss) for period	**$ (446,248)**	$ (238,124)	(87.4)
Income (Loss) per share	**$ (0.01)**	$ (0.01)	-

A net loss and comprehensive loss of $446,248 was recorded for the period ended June 30, 2011 compared to a net loss and comprehensive loss of $238,124 for the three months ended June 30, 2010. This was due primarily to higher operating costs, general and administrative costs and an increase in depletion expense.

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NET PETROLEUM AND NATURAL GAS REVENUE

	THREE MONTHS ENDED JUNE 30 2011	JUNE 30 2010	INCREASE (DECREASE) %
Petroleum & Natural Gas Revenue	**$ 242,216**	$ 181,103	33.7
Less:			
Royalties	**4,465**	17,439	(74.4)
Production expenses	**220,474**	163,310	35.0
Workover expenses	**34,255**	-	100.0
Net Petroleum & Natural Gas Revenue	**$ (16,978)**	$ 354	(4,896.0)
$ per boe	**$ (6.32)**	$ 0.12	(5,366.7)
Net revenue - per share	**$ 0.00**	$ 0.00	-

Gross revenue from petroleum and natural gas were $242,216 for the period ended June 30, 2011 compared to $181,102 for the three months ended June 30, 2010. Net revenue after royalties, production and workover expenses for the period ended June 30, 2011 was ($16,979) compared to $354 for the three months ended June 30, 2010.

NETBACKS

	THREE MONTHS ENDED JUNE 30 2011	JUNE 30 2010	INCREASE (DECREASE) %
$ per boe			
Working Interest Revenue	**$ 90.24**	$ 59.32	52.1
Royalties	**1.66**	5.71	(70.9)
Production expenses	**82.14**	53.49	53.6
Workover expenses	**12.76**	-	100.0
Total after royalties and production expenses	**$ (6.32)**	$ 0.12	(5,366.7)
General and administration	**138.66**	69.03	100.9
Finance income (cash items)	**3.71**	(7.03)	152.8
Total Corporate Netbacks	**$ (141.27)**	$ (75.94)	(86.0)
Non-Cash Items			
Depletion, depreciation and accretion	**21.20**	1.22	1,637.7
Stock based compensation	**6.99**	(0.68)	(1,127.9)
Finance expense (non-cash items)	**9.63**	1.52	533.6
Total Netbacks after non-cash items	**$ (179.09)**	$ (78.00)	129.6

Field netbacks for period ended June 30, 2011 were ($6.32) per boe compared to $0.12 per boe for the three months ended June 30, 2010 due to higher production and workover costs per boe in the current quarter. Total netbacks after non-cash items for the period ended June 30, 2011 were ($179.09) per boe compared to ($78.00) per boe for the three months ended June 30, 2010.

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CAPITAL EXPENDITURES

	THREE MONTHS ENDED JUNE 30 2011	JUNE 30 2010	INCREASE (DECREASE) %
Exploration and evaluation assets	**$ 222,898**	$ 23,631	843.2
Property and equipment	**-**	-	
Drilling and completions	**3,644,266**	754,910	382.7
Production equipment and facilities	**1,175,701**	300,914	290.7
Furniture and equipment	**-**	-	100.0
Total	**$ 5,042,865**	$ 1,079,455	367.2

Total expenditures were $5,042,865 for the period ended June 30, 2011 compared to $1,079,455 for the period ended June 30, 2010. During the quarter ended June 30, 2011 Border established a new core area in Leduc, Alberta by acquiring a farm-in agreement for $2,572,265 and spending $1,826,000 drilling and completing a horizontal well. Expenditures in the comparable quarter last year focused on establishing the Red Earth area which was also in Alberta.

LIQUIDITY AND CAPITAL RESOURCES

Border funded its capital expenditure program during its first quarter with proceeds from its February 2, 2011 equity offering. At June 30, 2011, Border had a working capital deficiency (current assets minus current liabilities) of ($522,748) as compared to a working capital surplus of $3,372,544 for the year ended March 31, 2011. The deficit at the end of June 30, 2011 results from expenditures associated with:

(1) a purchase and sale agreement (the "PSA") dated April 11, 2011 with a private company (the "Vendor") to acquire certain interests and assets under a farmout agreement between Canflame and the Vendor (the "Farmout") pertaining to Canflame’s Leduc lands. Under the PSA, Border acquired: (i) a test well drilled under the Farmout; (ii) 1.25 net sections of land; (iii) the option to drill subsequent wells on Canflame’s lands earning on a well by well basis; and (iv) a right of first refusal to acquire all other Canflame lands. Pursuant to the PSA, Border paid consideration of $2,572,265, consisting of (i) $1,000,000 cash; and (ii) the issuance of a promissory note of Border in the amount of $1,572,265 bearing an interest rate of 7% compounded annually for a period of two years from the date of issuance and convertible into common shares of the Corporation at a price of $0.30 per share for a period of two years from the date of issuance of the promissory note; and

(2) drilling, completion and production enhancement activities, as well as facilities projects, in Border’s Red Earth and Leduc core areas.

Pursuant to its joint venture with the Loon River Cree Nation (see “Highlights”), as well as its current land holdings at its Red Earth and Leduc core areas, Border has a significant drilling portfolio. In this regard, Border plans to undertake new capital projects at Red Earth and Leduc over the next 12 months. Consequently, the timing of anticipated cash from operating activities will not provide the funds to satisfy the Corporation’s forecasted capital requirements for the year. In order for the Corporation to fund its capital expenditure budget, the Corporation will either pursue an equity or debt financing or make other arrangements. Subsequent to June 30, 2011, the Corporation entered into a credit facility agreement for a demand revolving operating loan of $3,500,000 as outlined in “Subsequent Events” note (b).

	THREE MONTHS ENDED JUNE 30 2011	MARCH 31 2011	INCREASE (DECREASE) %
Cash	**$ 1,467,002**	$ 3,811,333	(61.5)
Accounts receivable and prepaid expenses	**477,637**	374,960	27.4
Accounts payable and accrued liablities	**(2,467,387)**	(813,749)	203.2
	$ (522,748)	$ 3,372,544	(115.5)

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the period ended June 30, 2011, $Nil (June 30, 2010 - $46,129) in remuneration, fees and rent which is included in general and administrative expenses was paid to officers and or companies controlled by officers and directors of the Corporation. Included in accounts payable and accrued liabilities is $Nil (June 30, 2010 - $7,476) due to officers and companies controlled by officers and directors of the Corporation.

During the first quarter ended June 30, 2010 officers and directors of the Corporation participated in the private placement of Secured Convertible Debentures and purchased $1,089,000 of the principal amount of the Debentures. As part of the terms of a private placement in February 2011, all amounts outstanding (including accrued interest) of the convertible debentures were converted into common shares of the Corporation as per the original conversion terms. There was no similar financing completed during the quarter ended June 30, 2011.

SUBSEQUENT EVENTS

(a) Business combination

On July 13, 2011, the Corporation closed the business combination between a private, Alberta based oil and natural gas exploration and production company, Canflame Energy Ltd. (“Canflame”) and a newly incorporated, wholly owned subsidiary of Border by way of an amalgamation. Pursuant to the Transaction: (i) the holders of debentures of Canflame (“Canflame Debentures”) received 6,225,594 common shares of the Corporation; and (ii) the holders of common shares of Canflame (“Canflame Shares”) received four common shares for each Canflame Share, resulting in the issuance of 36,537,826 common shares of Border to the holders of Canflame Debentures and Canflame Shares combined. All other existing options, warrants or securities convertible into Canflame Shares were cancelled. In conjunction with the Transaction, Border also assumed Canflame's existing net debt with a Canadian bank of approximately $1.6 million. Seventy five percent (75%) of the Border Shares issued to the shareholders of Canflame are subject to a voluntary hold period of four months from the date of closing of the Transaction. As part of the acquisition of Canflame, 6,062,446 Border common shares have been placed into escrow, and will be released only upon the resolution of a pre-existing legal action of which Canflame has been named as the defendant. If there is any loss suffered as a result of the legal actions, one Border common share will be cancelled and returned to treasury for each $0.30 of loss. These Border common shares are contingently issuable based on the outcome of the legal actions and management has determined that the likelihood of any loss occurring as being remote. Transaction costs of $90,378 incurred prior to June 30, 2011 related to this transaction have been charged to income during the three month period ended June 30, 2011.

(b) Credit facility

Subsequent to June 30, 2011, the Corporation entered into a credit facility agreement for a demand revolving operating loan. 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 plus 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.

The credit facility is secured by a general security agreement and a guarantee of a subsidiary corporation that was formed to complete the business combination described in note 17(a) above.

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.

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 AND OTHER INSTRUMENTS (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 overdraft, accounts payable and accrued liabilities, and notes payable approximate their carrying value.

At June 30, 2011, 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 and bank overdraft 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. To mitigate credit risk associated with the sale of its production to oil and gas marketers, the Corporation maintains marketing relationships with large credit-worthy purchasers. 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, 2011 and there is $132,672 in accounts receivable outstanding greater than 90 days at June 30, 2011, 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, 2011 is comprised of $426,909 in accounts receivable, $67,427 in lease reclamation deposits, $610,050 in investment in secured debt and $1,467,002 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 period ended June 30, 2011.

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, 2011.

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 notes payable and investment in secured debt both bear interest at a fixed rate.

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 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.

Proved Reserves

Under National Instrument 51-101 “Proved” reserves are defined as those reserves that can be estimated with a high degree of certainty to be recoverable. The level of certainty should result in at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved reserves. It does not mean that there is a 90 percent probability that the Proved reserves will be recovered – it means there must be at least a 90 percent probability that the given amount or more will be recovered.

“Proved plus Probable” reserves are the most likely case and are based on a 50 percent certainty that they will equal or exceed the reserves estimated. The standard provides for a conservative evaluation of proved and probable reserves, particularly on new wells where production history has not yet been established.

These oil and gas reserve estimates are made using all available geological and reservoir data, as well as historical production data. Estimates are reviewed on a quarterly basis and revised as appropriate. Revisions occur as a result of various factors including: actual reservoir performance, changes in price and cost forecasts or a change in the Corporation’s plans. Reserve changes will impact the financial results as reserves are used in the calculation of depletion and are used to assess whether asset impairment occurs. Reserve changes also affect other Non-IFRS measures such as finding and development costs; recycle ratios and net asset value calculations.

Future Accounting Pronouncements

The following pronouncements from the IASB will be effective for financial reporting periods beginning on or after January 1, 2013 and have not yet been adopted by the Corporation. All of these new or revised standards permit early adoption with transitional arrangements depending on the date of initial application.

IFRS 9 – Financial Instruments – addresses the classification and measurement of financial assets.

IFRS 10 – Consolidated Financial Statements – builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Corporation.

IFRS 11 – Joint Arrangements – establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.

IFRS 12 – Disclosure of Interest in Other Entities – provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.

IFRS 13 – Fair Value Measurement – defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 27 – Separate Financial Statements – revises the existing standard which addresses the presentation of parent Corporation financial statements that are not consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures – revises the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Corporation has not completed it evaluation of the impact of adopting these standards on its financial statements.

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 September 28, 2011.

ADDITIONAL INFORMATION

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

Border Petroleum Corp.

Management's Discussion & Analysis

Three months ended June 30, 2011

ABBREVIATIONS

Oil and Natural Gas Liquids

bbls	Barrels
Mbbls	thousand barrels
bbls/d	barrels of oil per day
boe/d	barrels of oil equivalent per day
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

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
m3	cubic meters

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

Border Petroleum Corp.

Management's Discussion & Analysis

Three months ended June 30, 2011

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 30/2011 Q1	THREE MONTHS ENDED MAR 31/2011 Q4	THREE MONTHS ENDED DEC 31/2010 Q3	THREE MONTHS ENDED SEPT 30/2010 Q2
Total Production Volumes				
Natural gas (Mcf)	2,428	2,222	2,525	3,365
Oil and NGL (bbl)	2,279	3,214	2,402	3,109
Combined (boe)	2,684	3,584	2,822	3,670
Daily Production				
Natural gas (Mcf per day)	27	25	27	37
Oil and NGL (bbl per day)	25	36	26	34
Combined (boe per day)	29	40	31	40
Gross Revenue				
Natural Gas	$ 10,253	$ 9,211	$ 10,301	$ 13,967
Oil and liquids	231,963	267,980	169,946	206,242
Total PNG Revenue	242,216	277,191	180,247	220,209
Royalty Expense				
Crown royalties	(3,468)	26,579	6,834	18,192
Freehold and overriding royalties	7,933	12,293	11,769	18,910
Total Royalty Expense	$ 4,465	$ 38,872	$ 18,603	$ 37,102
Net Revenue after Royalties	**$ 237,751**	**$ 238,319**	**$ 161,644**	**$ 183,107**
Operating and transportation	254,729	367,314	152,655	109,688
General and administrative	281,773	382,249	113,478	137,096
Transaction costs	90,378	-	-	-
Stock based compensation	18,759	127,769	6,897	7,414
Depletion and depreciation	56,906	101,502	72,951	75,699
Income (loss) before finance expense and income taxes	$ (464,794)	$ (740,515)	$ (184,337)	$ (146,790)
Net finance expense	$ 15,869	$ 46,911	$ 58,575	$ 73,961
Deferred income tax recovery	(34,415)	(70,267)	(117,458)	-
Net and Comprehensive Loss	**$ (446,248)**	**$ (717,159)**	**$ (125,454)**	**$ (220,751)**
Basic income (loss) per share	($0.01)	($0.01)	($0.01)	($0.01)
Average Price				
Natural gas ($ per Mcf)	$ 4.22	$ 4.14	$ 4.08	$ 4.15
Oil and NGL ($ per bbl)	$ 101.78	$ 83.39	$ 70.75	$ 66.34
$ per boe	$ 90.24	$ 77.34	$ 63.87	$ 60.00
Total Assets	**$ 11,874,876**	**$ 9,004,471**	**$ 4,275,573**	**$ 2,842,948**
Total Liabilities	**$ 4,458,463**	**$ 1,335,998**	**$ 3,515,574**	**$ 2,832,875**

Border Petroleum Corp.

Management's Discussion & Analysis

Three months ended June 30, 2011

SUMMARY OF QUARTERLY RESULTS – continued

	THREE MONTHS ENDED JUNE 30/2010	TWO MONTHS ENDED MAR 31/2010 (1)	THREE MONTHS ENDED JAN 31/2010 (1)	THREE MONTHS ENDED OCT 31/2009 (1)
	Q1	**Q4**	**Q3**	**Q2**
Total Production Volumes				
Natural gas (Mcf)	3,546	2,291	1,743	-
Oil and NGL (bbl)	2,462	1,607	1,969	2,463
Combined (boe)	3,053	1,913	2,310	2,463
Daily Production				
Natural gas (Mcf per day)	39	39	22	-
Oil and NGL (bbl perday)	27	27	21	27
Combined (boe per day)	34	32	25	27
Gross Revenue				
Natural Gas	$ 15,020	$ 12,475	$ 10,000	$ -
Oil and liquids	166,083	117,414	139,961	160,631
Total PNG Revenue	181,103	129,889	149,961	160,631
Royalty Expense				
Crown royalties	(307)	2,783	1	(152)
Freehold and overriding royalties	17,746	10,006	13,745	13,288
Total Royalty Expense	$ 17,439	$ 12,789	$ 13,746	$ 13,136
Net Revenue after Royalties	**$ 163,664**	**$ 117,100**	**$ 136,215**	**$ 147,495**
Operating and transportation	163,310	122,727	199,165	135,664
General and administrative	210,751	201,752	234,945	177,830
Stock based compensation	(2,067)	104,522	-	-
Depletion, depreciation, accretion	3,712	41,167	61,066	58,346
Gain on settlement of accounts payable and accrued liabilities	-	(94,938)	-	-
Loss on disposal of property and equipment		1,328,501	-	-
Income (loss) before finance expense and income taxes	$ (212,042)	$ (1,586,631)	$ (358,961)	$ (224,345)
Net finance expense	$ 26,082			
Deferred income tax recovery	-	-	-	-
Net and Comprehensive loss	**$ (238,124)**	**$ (1,586,631)**	**$ (358,961)**	**$ (224,345)**
Basic income (loss) per share	($0.00)	($0.09)	($0.02)	($0.01)
Average Price				
Natural gas ($ per Mcf)	$ 4.24	$ 5.45	$ 5.74	$ -
Oil and NGL ($ per bbl)	$ 67.46	$ 162.37	$ 71.08	$ 65.22
$ per boe	$ 59.32	$ 142.92	$ 64.92	$ 65.22
Total Assets	**$ 3,204,658**	**$ 1,237,918**	**$ 2,663,676**	**$ 2,857,000**
Total Liabilities	**$ 2,981,248**	**$ 833,747**	**$ 622,115**	**$ 572,484**

*comparative per share amounts have been adjusted for 4:1 share consolidation

(1) quarterly amounts prior to IFRS adoption date of April 1, 2010 have not been restated