BORDER PETROLEUM CORP.
(formerly Border Petroleum Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 21, 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.

Border Petroleum Corp.
Management's Discussion & Analysis
For the three and six months ended September 30, 2011

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

- In July 2011, the Corporation announced the closing of a business combination with Canflame Energy Ltd. (“Canflame”) previously announced on April 14, 2011, pursuant to which Border acquired all of the issued and outstanding shares and debentures of Canflame in consideration for the issuance of 36,537,826 common shares of Border ("Border Shares") (the "Transaction"). Pursuant to the Transaction, Border acquired approximately 20,794 net acres (32.5 sections) of land primarily in central Alberta and the greater Red Earth area of north central Alberta. The financial results for the three and six month periods ended September 30, 2011 exclude income and expenses related to Canflame prior to July 14, 2011.

- On September 29, 2011, the Corporation announced an operations update including that it had drilled, completed and put on production a horizontal Nisku test well cutting clean oil at a rate of 30 boe/d prior to mechanical stimulation. The well continues to be on production test while awaiting stimulation services. Border also announced that it had initiated a workover program and the upgrading of its Leduc central battery to enhance production from wells recently acquired through the Canflame acquisition which Canflame had been unable to conduct due to cash constraints. The average production rate for September 2011 was 344 boe/d.

OUTLOOK

Following closing of the Offering, Border intends to significantly accelerate development at Red Earth by drilling horizontal wells rather than through the re-entry of suspended vertical wells which earned Border its initial Red Earth land position. This Slave Point horizontal drilling program at Red Earth is expected to commence in January 2012. Other than one vertical Ellerslie zone re-entry and the stimulation of an existing Nisku zone horizontal oil well, Border’s continued development plans at Leduc will be delayed until summer.

OPERATIONS

During the six months ended September 30, 2011, the average net daily production was 55 bbls per day of oil and liquids and 468 mcf per day of natural gas, for a total of 133 boe/d. The Corporation’s operations and production were curtailed during the period as a result of forest fires and the closure of the Rainbow pipeline and as a result of adverse weather conditions. Production was further curtailed in the Leduc area during the shutting in of our 8-32-49-26W4M battery because of ERCB spacing requirements permitting the Corporation to drill the 13-33-49-26W4M well. The Rainbow pipeline and Leduc battery have now recommenced operations and Border is now producing from all existing wells in both the Red Earth and Leduc core areas. The Corporation’s current production, based on field estimates, is approximately 320 boe/d.

Producing Properties

Red Earth/Dawson, Alberta

The Corporation has an 86.25% working interest in 12,960 acres (12,930 net) in the Red Earth and Dawson area of north central Alberta. The Corporation re-entered five wells on these lands in its fiscal year ended March 31, 2011. In the Red Earth area, 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 of the wells have been fracture stimulated and put on production to date with the 08-28-88-12W5M awaiting stimulation services. The Corporation has a well in the Dawson field located at 6-23-80-17W5M.
Due to the Rainbow pipeline being shut in, adverse weather and access conditions and forest fires in the area, production was intermittent during the period ended September 30, 2011. Red Earth/Dawson production during the three and six month periods ended September 30, 2011, averaged 24 bbls/d and 21 bbls/d respectively.

Leduc, 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 15-19-49-26W4M and 60% in 11-33-49-26W4M. The Corporation has an interest in 5,680 gross acres (5,424 net) in the Leduc area of central Alberta. During the reporting period, the Corporation drilled the 13-33-49-26W4M horizontal well (the "13-33 well") from its 8-32-49-26W4M surface battery location. The 13-33 well began producing clean oil September 16, 2011, and is currently producing at a rate of 20 boe/d while awaiting mechanical stimulation services. As it was necessary to shut in four wells tied into the 8-31 battery location in order to conduct the drilling, completion, equipping and tying in of the 13-33 well on that site, Leduc production was reduced during the six months ended September 30, 2011, averaging 77 boe/d and 149 boe/d for the second quarter.

Norris, Alberta

The Corporation has various working interests varying from 57.5% to 100% in 452 net acres in the Norris area of central Alberta which also consists of five producing oil wells and one water disposal well. The Corporation has a 57.5% working interest in the well 100/16-21-53-18W4 and 100.0% working interest in wells 102/16-21-53-18W4, 00/01-28-53-18W4, 102/01-28-53-18W4 and 100/04-27-053-18W4 which all produce from the Mannville formation. Several Norris wells were down for pump service work during the quarter. This resulted in Norris production during the six months ended September 30, 2011 averaging 6 bbls/d and 7 bbls/d for the second quarter. The optimization work has increased production from the 102-16-21-53-18W4M well and management is evaluating further optimization work on the remaining Norris wells.

Cherhill/Majeau, Alberta

Border has a 100% working interest in 3,200 acres (2,560 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 during the six months ended September 30, 2011, averaged 7 boe/d and 9 boe/d for the second quarter.

Cardiff, Alberta

The Corporation has a 100% working interest in 160 acres in the Cardiff area of central Alberta which consists of one Mannville oil well located at 100/14-34-55-01W5. Cardiff had no production during the six months ended September 30, 2011, as it is still awaiting downhole pump work and being evaluated for stimulation.

Pembina/Brazeau, Alberta

Pembina shallow gas production was acquired as part of the Canflame merger commencing July 14, 2011, averaging 55 boe/d to September 30, 2011. The Corporation holds 2.5% in the 3-25-46-15W5M well which is producing approximately 2 mmcf/d gas from the Nisku formation.

<u>Non-Producing Properties</u>

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 ("Hunter"). 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 Montana, United States to earn a 25% non-operating working interest. Hunter has issued a notice of termination of the exploration agreement to Border dated July 25, 2011 with respect to a cash call regarding the drilling of the initial vertical test well under the exploration agreement. By correspondence dated August 2, 2011, the Corporation has contested the notice on grounds that the cash call is improper and does not comply with the exploration agreement. This is an exploration project for Nisku and Bakken oil on the west side of Williston Basin.

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PRODUCTION SUMMARY

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Total Production						
Oil - bbls	**6,358**	3,102	105.0	**8,630**	5,547	55.6
Natural gas liquids - bbls	**1,468**	7	20,871.4	**1,475**	24	6,045.8
Natural Gas - Mcf	**83,296**	3,365	2,375.4	**85,724**	6,911	1,140.4
Total boe	**21,708**	3,670	491.5	**24,392**	6,723	262.8
Daily Production						
Oil - bbls per day	**69**	34	102.9	**47**	30	56.7
Natural gas liquids - bbls per day	**16**	-	n/a	**8**	-	n/a
Natural Gas - Mcf per day	**905**	37	2,345.9	**468**	38	1,131.6
Total boe per day	**236**	40	490.0	**133**	37	259.5

For the six months ended September 30, 2011, oil production increased 55.6% to 8,630 bbls compared to 5,547 bbls for the same period last year. Natural gas production for the six months ended September 30, 2011, was up 1,140.4% to 85,724 mcf compared to 6,911 mcf for the comparable period last year. Natural gas liquids (“NGLs”) increased to 1,475 bbls during this six month period from 24 bbls last year. Total boe produced for the six months ended September 30, 2011, increased 262.8% to 24,392 compared to 6,723 boe last year. The increases in all products are attributable to the acquisition of Canflame Energy Ltd. on July 13, 2011, production from the 13-33 well drilled by the Corporation at Leduc and the optimization work outlined under “Operations” above. Production averaged 344 bbls per day during the month of September 2011.

PRICING SUMMARY

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Oil - $ per bbl	**$ 74.45**	$ 66.32	12.2	**$ 81.67**	$ 66.85	22.2
Natural gas liquids - $ per bbl	**$ 59.53**	$ 72.14	(17.5)	**$ 59.59**	$ 63.08	(5.5)
Natural Gas - $ per Mcf	**$ 3.75**	$ 4.15	(9.6)	**$ 3.77**	$ 4.19	(10.0)
$ per boe	**$ 40.23**	$ 60.00	(33.0)	**$ 45.74**	$ 59.69	(23.4)

During the six months ended September 30, 2011, 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 six months ended September 30, 2011, the average boe price was $45.74 compared to $59.69 during the same period 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. With natural gas prices lower than $4.00 per mcf and oil prices above $80 per barrel, Border’s future drilling targets are all light oil wells.

REVENUE

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Oil	**$ 473,330**	$ 205,737	130.1	**$ 704,788**	$ 370,811	90.1
Natural gas liquids	**87,389**	505	n/a	**87,894**	1,514	n/a
Natural Gas	**312,657**	13,967	2,138.5	**322,910**	28,987	1,014.0
Total Working Interest Revenue	**$ 873,376**	$ 220,209	296.6	**$ 1,115,592**	$ 401,312	178.0
$ per boe	**$ 40.23**	$ 60.00	(33.0)	**$ 45.74**	$ 59.69	(23.4)

Total revenue for the six months ended September 30, 2011, increased 178.0 % totaling $1,115,592 compared to $401,312 for the comparable period in 2010. This increase was due primarily to the production acquired in the Canflame merger July 13, 2011. Total revenue when expressed as dollars per boe fell during the six months and the three months ended September 30, 2011, due to the ratio of natural gas production versus oil and natural gas liquids (“NGLs”). During the six months and three months ended September 30, 2011, natural gas sales volumes accounted for 59% and 64% respectively, of the total sales. Natural gas prices have been low since late 2008 and have averaged $3.77 per mcf during the six months ended September 30, 2011. In this Management’s Discussion and Analysis, a barrel of equivalent (“boe”) equals six mcf per boe. With natural gas prices averaging $3.77 per mcf, this equates to $22.62 per boe. Currently the Corporation has greater natural gas sales than oil and NGLs that drive the average price per boe downwards. Future drilling plans target light oil production.

ROYALTY SUMMARY

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Crown	**$ 52,887**	$ 18,192	190.7	**$ 49,419**	$ 17,885	176.3
Overriding and Freehold	**28,123**	18,910	48.7	**36,056**	36,656	(1.6)
Total Royalty Expense	**81,010**	37,102	118.3	**85,475**	54,541	56.7
$ per boe	**$ 3.73**	**$ 10.11**	(63.1)	**$ 3.50**	**$ 8.11**	(56.8)
Expense rate - % of total working interest revenue	**9.3**	16.8	(44.6)	**7.7**	13.6	(43.4)

Total royalties paid for the six months ended September 30, 2011, increased by 56.7% to $85,475 compared to $54,541 for the comparable period last year. On a $ per boe basis, total royalties fell by 56.8% to $3.50 for the six months ended September 30, 2011, compared to $8.11 per boe for the comparable period last year. Royalties expressed as a percentage of total working interest revenue was 7.7% for the six months ended September 30, 2011, compared to 13.6% for the same period last year. Natural gas currently accounts for 29% of the Corporation’s revenue and due to the low prices and the sliding royalty scale and the gas cost allowance credits, gas Crown royalties remain low.

Border Petroleum Corp.

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OPERATING AND TRANSPORTATION EXPENSES

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Production expenses	**$ 549,608**	$ 63,945	759.5	**$ 752,133**	$ 220,038	241.8
Transportation and gathering	**103,976**	43,182	140.8	**121,925**	50,399	141.9
	653,584	107,127	510.1	**874,058**	270,437	223.2
Workover expenses	**68,481**	2,561	2,574.0	**102,736**	2,561	3,911.6
Total Production Expenses	**$ 722,065**	$ 109,688	558.3	**$ 976,794**	$ 272,998	257.8
$ per boe Total production expenses	**$ 33.26**	$ 29.89	11.3	**$ 40.05**	$ 40.61	(1.4)
Production, transportation & gathering	**$ 30.11**	$ 29.19	3.2	**$ 35.84**	$ 40.23	(10.9)
Workover expenses	**$ 3.15**	$ 0.70	100.0	**$ 4.21**	$ 0.38	1,007.9
Expense rate - % of total working interest revenue	**82.7**	49.8	66.1	**87.6**	68.0	28.8

Production expenses, excluding workovers, for the six months ended September 30, 2011, increased totaling $874,058 compared to $270,437 for the comparable period last year. Fixed production costs as well as additional costs to temporarily suspend operations and then re-start three wells in Leduc are the primary reasons operating costs are higher. This is particularly evident when wells are shut-in resulting in high per boe costs. The transportation and gathering expense component of the production costs for the six months ended September 30, 2011, increased 141.9% to $121,925 compared to $50,399 for the comparable period last year due to the closure of the Rainbow pipeline, which resulted in higher cost transportation arrangements. Workovers on the Norris wells during the first quarter of this year plus the second quarter upgrading of the Leduc central battery and wells, resulted in costs totalling $102,736 versus the $2,561 spent during the same period last year. Total production expenses for the six months ended September 30, 2011, increased 257.8% to $976,794 compared to $272,998 for the same period last year. This increase is directly attributable to the 262% increase in production volumes and operational activities from the Canflame Energy Ltd. acquisition. Total production expenses, expressed as a $ per boe during the six months ended September 30, 2011, averaged $40.05 per boe falling slightly from last year's average, however, increased volumes in the three months ended September 30, 2011, resulted in a 11.3% decrease in cost to $33.26 per boe.

GENERAL AND ADMINISTRATIVE EXPENSES

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
General and administration	**$ 414,859**	$ 137,096	202.6	**$ 696,632**	$ 347,847	100.3
Transaction costs	**61,426**	-	100.0	**151,804**	-	100.0
	476,285	**137,096**	247.4	**848,436**	**347,847**	143.9
$ per boe	**$ 21.94**	$ 37.36	(41.3)	**$ 34.78**	$ 51.74	(32.8)
Expense rate - % of total working interest revenue	**54.5**	62.3	(12.5)	**76.1**	86.7	(12.2)

General and administrative expenses for the six months ended September 30, 2011, increased by 100.3% totaling $696,632 compared to $347,847 for the same quarter last year. During this six months, total general and administration expense per boe increased 32.8% to $34.78 per boe compared to $51.74 for the comparable period last year. Since June 30, 2010, Border has implemented its strategy to acquire and grow two core producing areas. This increased activity and scope, along with the acquisition of Canflame has resulted in additional personnel, both salaried and part-time consulting in all disciplines. During the first two fiscal quarters of last year, the only salaried employee was the President/CEO.

Commencing in 2011, additional salaried employees have been added including a Chief Financial Officer, Chief Operating Officer, Vice President of Exploration and two accounting/administrative staff. Legal fees and associated costs totaling $151,804 have also been incurred in the six months ending September 30, 2011, related to the business combination with Canflame Energy Ltd. that closed on July 13, 2011.

FINANCE INCOME AND EXPENSES

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	**2010**	**CHANGE**	**2011**	**2010**	**CHANGE**
Finance income						
Interest income	**$ 34,329**	$ -	100.0	**$ 68,419**	$ -	100.0
	34,329	-	100.0	**68,419**	-	100.0
Finance expenses						
Interest expense	**3,677**	-	100.0	**3,677**	**-**	100.0
Interest expense on convertible debentures	**-**	43,579	(100.0)	**-**	65,035	(100.0)
Interest expense on note payable	**27,741**	-	100.0	**51,863**	**-**	100.0
Accretion on convertible note payable	**26,609**	26,464	0.5	**49,748**	26,464	88.0
Accretion of decommissioning provisions	**4,046**	3,916	3.3	**6,744**	8,542	(21.0)
	62,073	73,959	(16.1)	**112,032**	100,041	12.0
Finance income (expense) cash items	**2,911**	(43,579)	106.7	**12,879**	(65,035)	119.8
Finance expense non-cash items	**(30,655)**	(30,380)	0.9	**(56,492)**	(35,006)	61.4
Net finance income (expense)	**(27,744)**	(73,959)	62.5	**(43,613)**	(100,041)	56.4
$ per boe - finance income (expense) cash items	**$ 0.13**	$ (11.87)	(101.1)	**$ 0.53**	$ (9.67)	(105.5)
$ per boe - finance expense non-cash items	**$ (1.41)**	$ (8.28)	(83.0)	**$ (2.32)**	$ (5.21)	(55.5)

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.

DEPLETION AND DEPRECIATON

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
		2010	**CHANGE**		**2010**	**CHANGE**
Depletion, depreciation	**$ 315,062**	$ 75,699	316.2	**$ 371,968**	$ 79,411	368.4
	$ 315,062	$ 75,699	316.2	**$ 371,968**	$ 79,411	368.4
$ per boe	**$ 14.51**	$ 20.63	(29.7)	**$ 15.25**	$ 11.81	29.1
Expense rate - % of working interest revenue	**36.1**	34.4	4.9	**33.3**	19.8	68.2

Depletion and depreciation expense for the six months ended September 30, 2011, totaled $371,968 or $15.25 per boe compared to $79,411 for the comparable period last year. The change in depletion during this first six months compared to the same period last year is primarily the result of the acquisition of Canflame Energy Ltd., the Leduc farm-in agreement and the drilling and completion of a horizontal well both within the Leduc area of Alberta.

Border Petroleum Corp.

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SHARE CAPITAL

Issued and Outstanding Common Shares

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

	September 30, 2011		
	Number		Stated Value
Balance, beginning of period	70,586,293	$	15,965,618
Issuance to acquire Canflame A&B shares	30,312,232		9,699,914
Issuance for Canflame debentures & accrued interest	6,225,594		1,992,190
Share issue costs			(35,712)
Balance, end of period	107,124,119	$	27,622,010

On July 13, 2011, the Corporation closed a 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 (the “Transaction”). 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 30,312,232 common shares of the Corporation for a total 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. 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 $151,804 related to this transaction were incurred and have been charged against income during the six months ending September 30, 2011.

Warrants

At September 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.

	September 30, 2011		March 31, 2011	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	2,923,750	$ 0.25	7,295,000	$ 0.10
Cancelled or expired	-	-	(4,200,000)	$ 0.10
	2,923,750	$ 0.25	3,095,000	$ 0.10
Adjust for 4:1 consolidation (*)	-	-	(2,321,250)	-
	2,923,750	$ 0.25	773,750	$ 0.40
Granted	-	-	2,200,000	$ 0.19
Forfeited	(275,000)	0.29	(50,000)	$ 0.10
Outstanding, end of period	2,648,750	$ 0.25	2,923,750	$ 0.25
Exercisable, end of period	1,332,396	$ 0.28	1,496,979	$ 0.29

(*) As a result of the 4:1 consolidation of the Corporation's outstanding shares, the stock options were also consolidated on a 4:1 basis and repriced at $0.40 per common share.

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Stock based compensation	**$ 23,443**	$ 7,414	(216.2)	**$ 42,202**	$ 5,347	(689.3)
$ per boe	**$ 1.08**	$ 2.02	46.5	**$ 1.73**	$ 0.80	(116.3)
Expense rate - % of working interest revenue	**2.7**	3.4	20.6	**3.8**	1.3	(192.3)

Stock-based compensation for the six months ended September 30, 2011, was $42,202 or $1.73 per boe compared to $5,347 or $0.80 per boe for the same period last year. The Corporation calculates the stock based compensation using the Black-Scholes option-pricing model. For the six months ended September 30, 2011, no new options were granted and 275,000 options were forfeited. At September 30, 2011, there were 1,332,396 options that were exercisable.

AVERAGE SHARES OUTSTANDING

The weighted average number of shares outstanding ended September 30, 2011, totaled 86,446,119 compared to 18,616,066 (post 4:1 share consolidation) at September 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	107,124,119
Stock options	2,648,750
Warrants	14,427,500

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NET LOSS AND COMPREHENSIVE LOSS

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Net income (loss) for period	**$ (772,233)**	$ (220,749)	(249.8)	**$ (1,218,481)**	$ (458,873)	(165.5)
Income (Loss) per share	**$ (0.01)**	$ (0.01)	-	**$ (0.01)**	$ (0.02)	-

A net loss and comprehensive loss of $1,218,481 was recorded for the six months ending September 30, 2011, compared to a net loss and comprehensive loss of $458,873 for the same period last year. This was due primarily to higher operating costs, general and administrative costs and an increase in depletion expense.

NET PETROLEUM AND NATURAL GAS REVENUE

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Petroleum & Natural Gas Revenue	**$ 873,376**	$ 220,209	296.6	**$ 1,115,592**	$ 401,312	178.0
Less:						
Royalties	**81,010**	37,102	118.3	**85,475**	54,541	56.7
Production expenses	**653,584**	107,127	510.1	**874,058**	270,437	223.2
Workover expenses	**68,481**	2,561	2,574.0	**102,736**	2,561	3,911.6
Net Petroleum & Natural Gas Revenue	**$ 70,301**	$ 73,419	(4.2)	**$ 53,323**	$ 73,773	(27.7)
$ per boe	**$ 3.24**	$ 20.00	(83.8)	**$ 2.19**	$ 10.97	(80.0)
Net revenue - per share	**$ (0.00)**	$ (0.00)	-	**$ (0.00)**	$ (0.00)	-

Gross revenue from petroleum and natural gas increased 178% to total $1,115,592 for the six months ended September 30, 2011, compared to $401,312 for the same period last year. Net revenue after royalties, production and workover expenses fell 27.7% for the six months ended September 30, 2011, to $53,323 compared to $73,773 for the same period last year.

Border Petroleum Corp.
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NETBACKS

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
$ per boe						
Working Interest Revenue	**$ 40.23**	$ 60.00	(33.0)	**$ 45.74**	$ 59.69	(23.4)
Royalties	**3.73**	10.11	(63.1)	**3.50**	8.11	(56.8)
Production expenses	**30.11**	29.19	3.2	**35.84**	40.23	(10.9)
Workover expenses	**3.15**	0.70	350.0	**4.21**	0.38	1,007.9
Total after royalties and production expenses	**$ 3.24**	$ 20.00	(83.8)	**$ 2.19**	$ 10.97	(80.0)
General and administration	**21.94**	37.36	(41.3)	**34.78**	51.74	(32.8)
Finance income cash items	**0.13**	(11.87)	101.1	**0.53**	(9.67)	(105.5)
Total Corporate Netbacks	**$ (18.57)**	$ (29.23)	(36.5)	**$ (32.06)**	$ (50.44)	(36.4)
Non-Cash Items						
Depletion, depreciation and accretion	**14.51**	20.63	(29.7)	**15.25**	11.81	29.1
Stock based compensation	**1.08**	2.02	(46.5)	**1.73**	0.80	116.3
Finance expense non-cash items	**1.41**	8.28	(83.0)	**2.32**	5.21	(55.5)
Total Netbacks after non-cash items	**$ (35.57)**	$ (60.16)	40.9	**$ (51.36)**	$ (68.26)	24.8

Field netbacks for the six months ended September 30, 2011, were $2.19 per boe compared to $10.97 per boe for the same period last year. Total netbacks after non-cash items for the six months ended September 30, 2011, were losses of ($51.36) per boe compared to ($68.26) per boe for the same period last year.

CAPITAL EXPENDITURES

	THREE MONTHS ENDED SEPTEMBER 30		%	SIX MONTHS ENDED SEPTEMBER 30		%
	2011	2010	CHANGE	2011	2010	CHANGE
Exploration and evaluation assets	**$ 130,752**	$ 14,938	775.3	**$ 353,650**	$ 38,569	816.9
Property and equipment						
Drilling and completions	**894,666**	174,383	413.0	**2,652,347**	929,368	185.4
Production equipment and facilities	**210,629**	195,179	7.9	**614,650**	496,093	23.9
Property acquisitions	**14,668,154**	-	-	**17,326,419**	-	-
Furniture and equipment	**2,146**	26,339	(91.9)	**2,146**	26,339	(91.9)
Total	**$15,906,347**	$ 410,839	3,771.7	**$20,949,212**	$ 1,490,369	1,305.6

Total expenditures were $20,949,212 for the six months ended September 30, 2011, compared to $1,490, 369 for the same period ended September 30, 2010. The additions to capital expenditures this year related to acquisitions are as follows:

a)	Canflame Energy Ltd.	$14,880,908
b)	Leduc farm-in purchase	2,572,265
		$17,453,173

During the six months ended September 30, 2011 Border established a new core area in Leduc, Alberta by acquiring the farm-in agreement from a private company and merging with Canflame Energy Ltd. and spending $2,353,878 drilling and completing a horizontal well. Expenditures in the comparable period last year focused on establishing the Red Earth area which was also in Alberta.

BANK DEBT

The Corporation has bank debt outstanding under a demand revolving operating loan in the amount of $2,670,000 at September 30, 2011, (March 31, 2011 - $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 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 merger with Canflame Energy Ltd.

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. At September 30, 2011, the Corporation had a working capital ratio of 1.00:1.00.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2011, Border had a working capital deficiency (current assets minus current liabilities) of ($3,492,941) as compared to a working capital surplus of $3,372,544 for the year ended March 31, 2011. The deficit at the end of September 30, 2011, resulted from expenditures associated with:

(1) the debt carried forward from the Canflame Energy Ltd. Acquisition, the cash payment related to the Leduc asset purchase and additional operational costs at Leduc;

(2) capital expenditures related to equipping of a Leduc horizontal well and the drilling, completion, equipping and tying in of the Leduc 13-33 stratigraphic test and horizontal well; and,

(3) the loss of budgeted revenue due to the Slave Lake forest fires and the closure of the Rainbow pipeline as well as the suspension of 3 producing Leduc wells during the drilling of the 13-33 well at the Corporation’s central battery location due to its proximity to the 13-33 well.

Pursuant to its joint venture with the Loon River Cree Nation, 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 reduce the working capital deficiency and 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. In July 2011, the Corporation entered into a credit facility agreement for a demand revolving operating loan of $3,500,000. At September 30, 2011, the Corporation had drawn down $2.67 million of the Credit Facility.

On November 8, 2011 the Corporation announced that, in connection with a previously announced offering of common shares (the "Common Shares") and flow through common shares ("Flow-Through Shares"), the Corporation and the syndicate of underwriters led by Canaccord Genuity Corp. and including Macquarie Capital Markets Canada Ltd., National Bank Financial Inc., Dundee Securities Ltd., Haywood Securities Inc. and Fraser Mackenzie Limited (collectively the "Underwriters") have agreed to increase the size of the offering to an aggregate of 81,000,000 Common Shares at a price of $0.21 per Common Share and 24,000,000 Flow-Through Shares at a price of $0.25 per Flow-Through Share for aggregate gross proceeds of $23,010,000 (the "Offering"). See further details under “Subsequent Events”.

	SEPTEMBER 30 2011	MARCH 31 2011	% CHANGE
Cash	$ 164,836	$3,811,333	(95.7)
Accounts receivable and prepaid expenses	1,102,171	374,960	193.9
Accounts payable and accrued liablities	(2,734,312)	(813,749)	236.0
Investment in secured debt	644,364	-	n/a
Bank debt	(2,670,000)	-	-
	$ (3,492,941)	$3,372,544	(203.6)

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 six months ended September 30, 2011, the Corporation incurred $157,692 (September 30, 2011 - $NIL) on legal services, all of which is included in general and administrative expense or transaction costs, and accounts payable and accrued liabilities at September 30, 2011.

During the six months ended September 30, 2010, $61,289 in remuneration, fees and rent which is included in general and administrative expenses was paid to former officers and or companies controlled by former officers and former directors of the Corporation. Included in accounts payable and accrued liabilities is $NIL (September 30, 2010 - $NIL) due to former officers and companies controlled by former officers and former directors of the Corporation.

During the six months ended September 30, 2010, current officers and directors of the Corporation participated in the private placement of secured convertible debentures and purchased $1,089,000 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 six months ended September 30, 2011.

SUBSEQUENT EVENTS

- On October 25, 2011, the Corporation announced that, with respect to its new joint venture with the Loon River Cree Nation (the “Nation”) previously announced on May 5, 2011, the Nation had authorized Indian Oil and Gas Canada (“IOGC”), pursuant to a fully executed band council resolution, to issue Border an IOGC permit covering an expanded 27 sections (6,912 hectares) of Slave Point rights in the Red Earth area of northern Alberta (the "Permit") providing the following:
    - a 5-year permit term during which Border has the right to earn the entire 27 section block by drilling 6 horizontal test wells into the Slave Point formation (the "Test Wells") on a rolling option basis, with a minimum of two Test Wells in the first year and one Test Well in each year thereafter, and payment of a Permit bonus of approximately $3.9 million;
    - for each Test Well drilled, Border earns the right to a 4.5 section (1,152 hectare) lease (the "Lease") for a term of 5 years to the base of the deepest formation penetrated and a royalty rate equivalent to Alberta crown incorporating the Horizontal Oil New Well Royalty Rate with a 10% minimum and no gross overriding royalty payable; and
    - Border will pay 100% of all costs related to each Test Well and Lease for a 100% before and 100% after payout working interest in both the Test Well and the lands under the 4.5 section Lease with no carried working interest provision.

- On November 8, 2011 the Corporation announced a bought deal offering (the "Offering") by way of short form prospectus with a syndicate of underwriters led by Canaccord Genuity Corp. and which includes Macquarie Capital Markets Canada Ltd., National Bank Financial Inc., Dundee Securities Ltd., Haywood Securities Inc. and Fraser Mackenzie Limited (collectively, the "Underwriters"). The Offering will consist of the issuance of 71,500,000 common shares (the "Common Shares") of the Corporation at a price of $0.21 per Common Share and 20,000,000 common shares of the Corporation issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) (the "Flow-Through Shares") at a price of $0.25 per Flow-Through Share for aggregate gross proceeds of $20,015,000.

- Subsequently on November 8, 2011 the Corporation announced that, in connection with the Offering of Common Shares and Flow-Through Shares, the Corporation and the Underwriters agreed to increase the size of the Offering to an aggregate of 81,000,000 Common Shares at a price of $0.21 per Common Share and 24,000,000 Flow-Through Shares at a price of $0.25 per Flow-Through Share for aggregate gross proceeds of $23,010,000. The Corporation also announced that the closing of the Offering is expected to occur on or about November 30, 2011 and is subject to certain conditions including, but not limited to, Indian Oil and Gas Canada and all necessary regulatory approvals, including the approval of TSX Venture Exchange Inc.

- Finally, on November 8, 2011 the Corporation entered into a sublease agreement for new office space for a period of two years and eleven months, less one day commencing on January 1, 2012 and shall expire on November 29, 2014. Annual rental payments, exclusive of operating costs are $102,360.

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 debt, accounts payable and accrued liabilities, and note payable approximate their carrying value.

At September 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 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 September 30, 2011 and there is $145,048 in accounts receivable outstanding greater than 90 days at September 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 September 30, 2011 is comprised of $1,059,732 in accounts receivable, $173,033 in lease reclamation deposits, $644,364 in investment in secured debt and $164,836 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 September 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 September 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 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 bears interest at a floating 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 IASB also issued "Presentation of Items of Other Comprehensive Income", an amendment to IAS 1 "Financial Statement Presentation". The amendment addresses the presentation of other comprehensive income and requires the grouping of items within other comprehensive income that might eventually be reclassified to the profit and loss section of the income statement. The change becomes effective for financial years after July 1, 2012 with earlier adoption permitted.

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 November 21, 2011.

ADDITIONAL INFORMATION

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

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

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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 SEPT 30/2011	THREE MONTHS ENDED JUN 30/2011	THREE MONTHS ENDED MAR 31/2011	THREE MONTHS ENDED DEC 31/2010
	Q2	Q1	Q4	Q3
Total Production Volumes				
Natural gas (Mcf)	83,296	2,428	2,222	2,525
Oil and NGL (bbl)	7,826	2,279	3,214	2,402
Combined (boe)	21,708	2,684	3,584	2,822
Daily Production				
Natural gas (Mcf per day)	906	27	25	27
Oil and NGL (bbl per day)	85	25	36	26
Combined (boe per day)	236	29	40	31
Gross Revenue				
Natural Gas	$ 312,657	$ 10,253	$ 9,211	$ 10,301
Oil and liquids	560,719	231,963	267,980	169,946
Total PNG Revenue	873,376	242,216	277,191	180,247
Royalty Expense				
Crown royalties	52,887	(3,468)	26,579	6,834
Freehold and overriding royalties	28,123	7,933	12,293	11,769
Total Royalty Expense	$ 81,010	$ 4,465	$ 38,872	$ 18,603
Net Revenue after Royalties	**$ 792,366**	**$ 237,751**	**$ 238,319**	**$ 161,644**
Operating and transportation	722,065	254,729	367,314	152,655
General and administrative	414,859	281,773	382,249	113,478
Transaction costs	61,426	90,378	-	-
Stock based compensation	23,443	18,759	127,769	6,897
Depletion and depreciation	315,062	56,906	101,502	72,951
Income (loss) before finance expense and income taxes	$ (744,489)	$ (464,794)	$ (740,515)	$ (184,337)
Net finance expense	$ 27,744	$ 15,869	$ 46,911	$ 58,575
Deferred income tax recovery	-	(34,415)	(70,267)	(117,458)
Net and Comprehensive Loss	**$ (772,233)**	**$ (446,248)**	**$ (717,159)**	**$ (125,454)**
Basic income (loss) per share	($0.01)	($0.01)	($0.01)	($0.01)
Average Price				
Natural gas ($ per Mcf)	$ 3.75	$ 4.22	$ 4.15	$ 4.08
Oil and NGL ($ per bbl)	$ 71.65	$ 101.78	$ 83.39	$ 70.75
$ per boe	$ 40.23	$ 90.24	$ 77.34	$ 63.87
Total Assets	**$ 26,961,591**	**$ 11,874,876**	**$ 9,004,471**	**$ 4,275,573**
Total Liabilities	**$ 8,601,864**	**$ 4,458,463**	**$ 1,335,998**	**$ 3,515,574**

Border Petroleum Corp.

Management's Discussion & Analysis

For the three and six months ended September 30, 2011

SUMMARY OF QUARTERLY RESULTS – continued

	THREE MONTHS ENDED SEPT 30/2010	THREE MONTHS ENDED JUNE 30/2010	TWO MONTHS ENDED (1) MAR 31/2010	THREE MONTHS ENDED (1) JAN 31/2010
	Q2	Q1	Q4	Q3
Total Production Volumes				
Natural gas (Mcf)	3,365	3,546	2,291	1,743
Oil and NGL (bbl)	3,109	2,462	1,607	1,969
Combined (boe)	3,670	3,053	1,913	2,310
Daily Production				
Natural gas (Mcf per day)	37	39	39	22
Oil and NGL (bbl perday)	34	27	27	21
Combined (boe per day)	40	34	32	25
Gross Revenue				
Natural Gas	$ 13,967	$ 15,020	$ 12,475	$ 10,000
Oil and liquids	206,242	166,083	117,414	139,961
Total PNG Revenue	220,209	181,103	129,889	149,961
Royalty Expense				
Crown royalties	18,192	(307)	2,783	1
Freehold and overriding royalties	18,910	17,746	10,006	13,745
Total Royalty Expense	$ 37,102	$ 17,439	$ 12,789	$ 13,746
Net Revenue after Royalties	**$ 183,107**	**$ 163,664**	**$ 117,100**	**$ 136,215**
Operating and transportation	109,688	163,310	122,727	199,165
General and administrative	137,096	210,751	201,752	234,945
Transaction costs	-	-	-	-
Stock based compensation	7,414	(2,067)	104,522	-
Depletion, depreciation, accretion	75,699	3,712	41,167	61,066
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	$ (146,790)	$ (212,042)	$ (1,586,631)	$ (358,961)
Net finance expense	$ 73,961	$ 26,082	$ -	$ -
Deferred income tax recovery	-	-	-	-
Net and Comprehensive loss	**$ (220,751)**	**$ (238,124)**	**$ (1,586,631)**	**$ (358,961)**
Basic income (loss) per share	($0.01)	($0.00)	($0.09)	($0.02)
Average Price				
Natural gas ($ per Mcf)	$ 4.15	$ 4.24	$ 5.45	$ 5.74
Oil and NGL ($ per bbl)	$ 66.34	$ 67.46	$ 162.37	$ 71.08
$ per boe	$ 60.00	$ 59.32	$ 142.92	$ 64.92
Total Assets	**$ 2,842,948**	**$ 3,204,658**	**$ 1,237,918**	**$ 2,663,676**
Total Liabilities	**$ 2,832,875**	**$ 2,981,248**	**$ 833,747**	**$ 622,115**

*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