Border Petroleum Corp.
(formerly Border Petroleum Inc.)

Financial Statements

March 31, 2011 and March 31, 2010

Management's Report

Management has prepared the accompanying financial statements of Border Petroleum Corp. in accordance with Canadian generally accepted accounting principles. Financial and operating information throughout the regulatory filings is consistent with that shown in the financial statements.

Management is responsible for the integrity and objectivity of the financial information. Where necessary, the financial statements include estimates that are based on management's informed judgments. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and reliable accounting records are produced for financial purposes.

Collins Barrow Calgary LLP, an independent firm of Chartered Accountants, was appointed by the Corporation's shareholders to conduct an audit of the financial statements. Their examination included such tests and procedures as they considered necessary to provide reasonable assurance that the financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee. The Committee meets quarterly with management and annually with the independent auditors to ensure that managements' responsibilities are properly discharged, to review the financial statements and to recommend that the financial statements be presented to the Board of Directors for approval.

signed "*Kelly Kimbley*"

President and Chief Executive Officer

signed "*Ying Yuen*"

Chief Financial Officer

Calgary, Canada
June 7, 2011

Collins Barrow
Chartered Accountants & Consultants

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Independent Auditors' Report

To the Shareholders
Border Petroleum Corp.

We have audited the accompanying financial statements of Border Petroleum Corp., which comprise the balance sheets as at March 31, 2011 and March 31, 2010, and the statements of loss, comprehensive loss, deficit and cash flows for the periods ending March 31, 2011 and March 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Border Petroleum Corp. as at March 31, 2011 and March 31, 2010, and the results of its operations and its cash flows for the periods ended March 31, 2011 and March 31, 2010 in accordance with Canadian generally accepted accounting principles.

(Signed) "Collins Barrow Calgary LLP"

CHARTERED ACCOUNTANTS

Calgary, Canada
June 7, 2011

Border Petroleum Corp. (formerly Border Petroleum Inc.)
Balance Sheets

	March 31 2011	March 31 2010
Assets		
Current Assets		
Cash	**$ 3,811,333**	$ -
Accounts receivable	**361,414**	124,315
Prepaid expenses and deposits	**13,546**	12,819
	4,186,293	137,134
Investment in secured debt (note 11)	**576,109**	-
Lease reclamation deposits	**67,427**	67,105
Property and equipment (note 4)	**3,724,897**	1,033,679
	8,554,726	1,237,918
Liabilities		
Current Liabilities		
Bank overdraft	**-**	20,483
Accounts payable and accrued liabilities	**813,749**	567,150
	813,749	587,633
Asset retirement obligations (note 5)	**446,448**	246,114
	1,260,197	**833,747**
Shareholders' Equity		
Share capital (note 7)	**15,910,083**	8,188,840
Warrants (note 7(c))	**695,426**	-
Contributed surplus (note 8(c))	**302,379**	162,366
Deficit	**(9,613,359)**	(7,947,035)
	7,294,529	404,171
	$ 8,554,726	$ 1,237,918

Commitment (note 16)
Subsequent events (note 17)

Approved by the Board,

Per: (signed) *"Eric Panchy"*
Director

Per: (signed) *"Kelly Kimbley"*
Director

See accompanying notes to financial statements.

Border Petroleum Corp. (formerly Border Petroleum Inc.)
Statements of Loss, Comprehensive Loss and Deficit

	Year Ended March 31 2011	Eleven Months Ended March 31 2010
Revenue		
Oil and natural gas	**$ 858,750**	$ 583,996
Royalties	**(112,016)**	(56,755)
	746,734	527,241
Interest income	**26,432**	-
	773,166	527,241
Expenses		
Operating and transportation	**792,967**	617,717
General and administrative	**843,574**	724,984
Stock-based compensation (note 8)	**140,013**	104,522
Depletion, depreciation and accretion	**709,698**	229,641
Accretion on convertible debentures (note 12)	**50,308**	-
Loss on conversion of convertible debentures (note 12)	**55,549**	-
Interest on convertible debentures	**125,056**	-
Gain on settlement of accounts payable and accrued liabilities (note 7(b))	**-**	(94,938)
Loss on disposal of property and equipment	**-**	1,328,501
	2,717,165	2,910,427
Loss before income tax	**(1,943,999)**	(2,383,186)
Future income tax recovery (note 6)	**(277,675)**	-
Net loss and comprehensive loss	**(1,666,324)**	(2,383,185)
Deficit, beginning of period	**(7,947,035)**	(5,563,849)
Deficit, end of period	**$ (9,613,359)**	$ (7,947,035)
Net loss per share (note 9)		
Basic and diluted	**$ (0.06)**	$ (0.15)

See accompanying notes to financial statements.

Border Petroleum Corp. (formerly Border Petroleum Inc.)
Statements of Cash Flows

Cash provided by (used for):	Year Ended March 31 2011	Eleven Months Ended March 31 2010
Operating activities		
Net loss	$ (1,666,324)	$ (2,383,186)
Items not involving cash		
Future income tax recovery	(277,675)	-
Stock-based compensation (note 8(c))	140,013	104,522
Depletion, depreciation and accretion	709,698	229,641
Interest on convertible debentures (note 12)	125,056	-
Accretion on convertible debentures (note 12)	50,308	-
Loss on conversion of convertible debentures (note 12)	55,549	-
Interest on investment in secured debt (note 11)	(26,109)	-
Gain on settlement of accounts payable and accrued liabilities (note 7(b))	-	(94,938)
Loss on disposal of property and equipment	-	1,328,501
	(889,484)	(815,460)
Net changes in non-cash working capital (note 10)	(96,586)	150,860
	(986,070)	(664,600)
Financing activities		
Issue of common shares for cash, net of issuance expenses	6,729,431	818,779
Issue of convertible debentures (note 12)	1,729,000	-
Exercise of stock options	5,000	-
	8,463,431	818,779
Investing activities		
Property and equipment expenditures	(3,200,582)	(413,748)
Investment in secured debt (note 11)	(550,000)	-
Lease reclamation deposits	-	(67,105)
Proceeds on disposal of property and equipment	-	200,000
Net change in non-cash working capital (note 10)	105,037	65,150
	(3,645,545)	(215,703)
Cash inflow (outflow)	3,831,816	(61,524)
Cash (bank overdraft), beginning of period	(20,483)	41,041
Cash (bank overdraft), end of period	$ 3,811,333	$ (20,483)

See accompanying notes to financial statements.

1. Nature of operations

Border Petroleum Corp. (the "Company" or "Border") is a public company whose shares trade on the TSX Venture Exchange (the "TSXV"). The Company changed its name from Moneta Resources Inc. to Border Petroleum Inc. on August 7, 2008. On September 14, 2010, the TSXV provided final acceptance to a 4:1 share consolidation and name change of the Corporation to Border Petroleum Corp. and approved the Corporation's graduation from the NEX board of the TSXV to the TSXV as a Category 3, Tier 2 oil and gas issuer. Effective at the opening on September 14, 2010, the common shares of Border Petroleum Corp. commenced trading on the TSXV under the symbol "BOR". The Company's activities are the exploration for, development and production of oil and natural gas properties in Western Canada and Montana. The Company is in the early stages of development of its oil and natural gas properties and will be dependent upon its ability to raise debt and/or equity capital in the future to develop these properties. The Company will also need to achieve positive income and cash flow from operating activities to secure its long term viability. As at March 31, 2011, the Company had positive working capital of $3,372,544.

The Company changed its fiscal year end from April 30 to March 31 during 2010. As a result, the Company's comparative fiscal period is the eleven-month period ended March 31, 2010.

2. Significant accounting policies

(a) Property and equipment

Capitalized costs

The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs relating to the exploration for and the development of oil and natural gas reserves are initially capitalized by cost centre. Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, together with overhead directly related to exploration and development activities, and lease and well equipment. Gains or losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would alter the rate of depletion and depreciation by 20% or more.

Depletion and depreciation

Costs capitalized are depleted and depreciated using the unit-of-production method based upon production volumes before royalties in relation to estimated proved oil and natural gas reserves as determined by independent engineers. Costs eligible for depletion and depreciation include total capitalized costs, less the cost of unproved properties and estimated salvage values, plus estimated future development costs of proved undeveloped reserves. The cost of unproved properties is excluded from the depletion and depreciation base until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Production and reserves of oil and natural gas are converted to common units of measure based on their relative energy content, where one barrel of oil equates to six thousand cubic feet of natural gas.

2. Significant accounting policies (continued)

Asset retirement obligations

The Company recognizes the fair value of obligations associated with the retirement of tangible long-lived assets in the period the asset is put into use and a reasonable estimate of the fair value can be made, with a corresponding increase to the carrying amount of the related asset.

Fair value is estimated based on the present value of the estimated future cash outflows to abandon the asset, discounted at the Company's credit-adjusted risk-free interest rate. The liability is increased with the passage of time through charges to accretion expense. The costs capitalized to the related assets are depleted and depreciated using the unit-of-production method. Actual costs incurred to abandon the asset reduce the asset retirement obligations.

Ceiling test

Oil and natural gas properties are evaluated at least annually to determine whether the carrying amount in each cost centre is recoverable and that it does not exceed the fair value of the properties in the cost centre.

The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves plus the lower of cost and market of unproved properties exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties that contain no probable reserves. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

Unproved properties are excluded from the ceiling test and are tested separately for impairment.

(b) Joint venture accounting

Substantially all of the Company's exploration and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

(c) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize expected future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

2. Significant accounting policies (continued)

(d) Stock-based compensation

The Company has a stock-based compensation plan as described in note 8(a). Stock-based compensation and other stock based payments granted to employees, officers, directors and consultants are accounted for using the fair value method. Under this method, stock-based compensation expense is recognized when an option is granted based on the fair value of the option on the date of the grant. The fair value of options granted are estimated using the Black-Scholes option pricing model. Compensation expense is recorded over the vesting period as an expense with a corresponding increase in contributed surplus. As the options are exercised, the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital.

The Company has not incorporated an estimated forfeiture rate for stock options but accounts for actual forfeitures as they occur.

(e) Per share amounts

Basic net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method for the calculation of diluted income per share whereby the effect of in-the-money instruments such as stock options and warrants affect the calculation. The treasury stock method assumes that the proceeds from the exercise of in-the-money stock options and warrants along with the unamortized portion of stock-based compensation expense are used to repurchase common shares of the Company at the weighted average market price during the period. Per share amounts have been adjusted to account for the 4:1 share consolidation as if it occurred at the inception of the Company.

(f) Revenue recognition

Revenue from the sale of oil and natural gas is recognized when collectability is reasonably assured and is based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, transportation and production based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

Interest income is recognized as it is earned.

(g) Measurement uncertainty

The amounts recorded for depletion and depreciation of oil and natural gas properties, the provision for asset retirement obligations and the ceiling test are based on estimated proved and probable reserves, production rates, future oil and natural gas prices, future costs and other relevant assumptions.

The amounts recorded relating to fair values of stock options and warrants granted are based on estimates of future volatility of the Company's share price, expected lives of the options and warrants, expected dividends to be paid by the Company and other relevant assumptions.

2. Significant accounting policies (continued)

The amount recorded for investment in secured debt and the valuation thereof is based on management's assessment of the value of the underlying assets held as security.

The split of the debt and equity components of the convertible debentures is based on an estimate of the interest rate the Company would pay on a non-convertible debenture with similar terms.

Future income taxes are based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantially enacted and the determination of the valuation allowance. Tax returns and tax filing positions are subject to audit by taxation authorities.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided.

The amount accrued for contingent consideration payable under a land acquisition (note 16) is based upon estimates of proved reserves and future oil and gas prices and related transportation and processing costs.

(h) Flow-through shares

The Company may finance a portion of its exploration and development activities through the issuance of flow-through common shares. Under the terms of the flow-through share agreements, the resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company provides for the future effect on income taxes related to flow-through shares as a charge to share capital when the expenditures are renounced to the subscribers and the prescribed forms are filed with Canada Revenue Agency ("CRA").

(i) Financial instruments and derivatives

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified in one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale and other financial liabilities. The Company has designated its financial instruments into the following categories applying the indicated measurement methods:

2. Significant accounting policies (continued)

Financial instrument	Category	Measurement method
Cash (bank overdraft)	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost using the effective interest rate method
Investment in secured debt	Loans and receivables	Amortized cost using the effective interest rate method
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost using the effective interest rate method

The Company will assess at each reporting period whether any financial assets, other than those classified as held for trading, are impaired. An impairment loss, if any is included in net earnings.

Transaction costs incurred in relation to the acquisition of a financial asset or liability are immediately expensed by the Company.

The Company may use various types of derivative financial instruments to manage risks associated with oil and natural gas price fluctuations. These instruments are not used for trading or speculative purposes. Proceeds and costs realized from holding the related contracts are recognized at the time each transaction under a contract is settled. For the unrealized portion of such contracts, the Company utilizes the fair value method of accounting. The fair value is based on an estimate of the amounts that would have been paid to or received from counter parties to settle these instruments given future market prices and other relevant factors.

The method requires the fair value of the derivative financial instruments to be recorded at the balance sheet date with unrealized gains or losses on those contracts recorded though net earnings. Transaction costs, if any, related to derivative financial instruments are expensed as incurred.

An embedded derivative is a component of a contract that affects the terms in relation to another factor. These hybrid contracts are considered to consist of a "host" contract plus an embedded derivative. The embedded derivative is separated from the host contract and accounted for as a derivative which requires separate recognition and measurement.

3. Future accounting pronouncements

Effective April 1, 2011 the Company will be required to prepare its financial statements in accordance with International Financial Reporting Standards (“IFRS”), including the comparative information.

3. Future accounting pronouncements (continued)

Although IFRS is principles based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS. Currently, the application of IFRS to the oil and gas industry in Canada requires clarification. The International Accounting Standards Board has made certain amendments and exemptions to IFRS 1 relating to full cost oil and gas accounting. The amendments permit the Company to apply IFRS prospectively to their full cost pool of capitalized exploration and development expenses, with an initial impairment test, at the transition date.

The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company is currently assessing the impact on the convergence of Canadian GAAP with IFRS on the Company's results of operations, financial position and disclosures. At this time, the Company is at a very preliminary stage of its IFRS conversion process and changeover plan. The plan will include an assessment of differences between Canadian GAAP and IFRS, accounting policy choices under IFRS, internal controls over financial reporting, potential system changes required, potential corporate governance changes, and effects on internal controls and processes. Initial activities will include training sessions and acquisition of written standards and examples of IFRS disclosure. Based on work completed to date, management has determined that the accounting differences that will lead to the largest changes relate mainly to property and equipment, asset retirement obligations, and stock based compensation, however, at this time, the overall impact on the Company's future financial position and results of operations is not reasonably determinable or estimable. The Company will provide disclosure of the key elements of its plan and progress on the project as information becomes available during the transition period.

4. Property and equipment

	March 31, 2011		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Oil and natural gas lease properties	$ 4,393,983	$ 695,104	$ 3,698,879
Office and other equipment	$ 31,174	$ 5,156	$ 26,018
	$ 4,425,157	$ 700,260	$ 3,724,897

	March 31, 2010		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties and lease and well equipment	$ 1,044,242	$ 10,563	$ 1,033,679

4. Property and equipment (continued)

Undeveloped properties with a cost of $974,161 (March 31, 2010 - $1,004,064) have been excluded from the depletion calculation. Undeveloped properties are located in Montana, USA ($878,825) and in northern Alberta ($95,336) and all developed properties are located in Alberta. Future development costs of proved reserves of $5,336,000 (March 31, 2010 - $NIL) have been included in the depletion base for the purposes of the depletion calculation. The Company has not capitalized any general and administrative expenses for the year ended March 31, 2011 or the period ended March 31, 2010. The Company performed a ceiling test at March 31, 2011. A writedown was not required for the year ended March 31, 2011.

The benchmark oil and natural gas selling prices used in the March 31, 2011 ceiling test calculation are as follows:

	WTI Crude Oil ($US / bbl)	Edmonton Light Oil* ($Cdn / bbl)	AECO Natural Gas* ($Cdn / Mcf)	Exchange Rate (US$ to Cdn$)
2011	$94.41	$92.57	$4.08	$1.01
2012	$94.86	$96.29	$4.94	$0.98
2013	$95.72	$97.16	$5.63	$0.98
2014	$97.10	$98.56	$6.27	$0.98
2015	$99.58	$101.08	$6.57	$0.98
2016	$101.58	$103.11	$6.71	$0.98
2017	$103.61	$105.17	$6.85	$0.98
2018	$105.68	$107.27	$7.00	$0.98
2019	$107.79	$109.42	$7.15	$0.98
2020	$109.95	$111.60	$7.30	$0.98
Inflated at 2% thereafter				

*Adjustments were made to the benchmark prices to arrive at the Company's average prices for purposes of the ceiling test and to reflect varied delivery points and quality differentials in the products delivered.

5. Asset retirement obligations

The Company estimates the total undiscounted cash flows required to settle its asset retirement obligations is approximately $510,000 (March 31, 2010 - $338,820), which will be incurred between 2012 and 2016. A credit-adjusted risk-free rate of approximately 7% (March 31, 2010 – 7%) was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	March 31, 2011	March 31, 2010
Balance, beginning of period	**$ 246,114**	$ 210,396
Liabilities incurred	**98,485**	59,407
Liabilities disposed	**-**	(38,993)
Change in estimate	**81,847**	-
Accretion expense	**20,002**	15,304
Balance, end of period	**$ 446,448**	$ 246,114

6. Income taxes

(a) Income tax recovery differs from that which would be expected from applying the effective Canadian federal and provincial income tax rates of 27.63% (Eleven month period ended March 31, 2010 – 28.73%) to loss before income taxes as follows:

	March 31, 2011	March 31, 2010
Net loss for the year	**$ (1,943,999)**	$ (2,383,186)
Expected income tax recovery	**$ (537,030)**	$ (684,700)
Differences resulting from:		
Effect of changes in tax rates and other	**(66,840)**	90,900
Stock-based compensation	**38,679**	30,000
Net change in valuation allowance	**$ 287,516**	$ 563,800
Future income tax recovery	**$ (277,675)**	$ -

(b) The components of the future income tax asset at March 31, 2011 and March 31, 2010 include the following:

	March 31, 2011	March 31, 2010
Future income taxes assets:		
Non-capital loss carry-forwards	**$ 869,605**	$ 510,000
Property and equipment net of related asset retirement obligations	**299,541**	471,200
Share issue costs	**158,870**	59,300
Less: valuation allowance	**$ (1,328,016)**	$ (1,040,500)
Future income taxes	**$ -**	$ -

(c) The Company has accumulated at March 31, 2011 $3,478,419 of unused non-capital loss carry-forwards that may be applied against future taxable income. The non-capital losses expire as follows:

2014	$ 56,646
2015	$ 100,538
2026	$ 78,751
2027	$ 34,563
2028	$ 309,558
2029	$ 704,180
2030	$ 986,716
2031	$ 1,207,467
	$ 3,478,419

6. Income taxes (continued)

In addition, the Company has approximately $4,740,686 in tax pools related to its resource properties as well as $635,480 in share issuance costs, which have not been deducted at March 31, 2011.

7. Share capital

(a) Authorized

Unlimited number of voting common shares

(b) Issued common shares

	March 31, 2011		March 31, 2010	
	Number	Stated Value	Number	Stated Value
Balance, beginning of period	74,464,263	$ 8,188,840	57,226,763	$ 7,351,624
Reduced by way of 4:1 consolidation of common shares (1)	(55,848,197)	-	-	-
Private Placement (2), (6)	5,108,333	730,516	16,500,000	825,000
Private Placement (3)	4,271,333	579,090	-	-
Private Placement (4)	24,000,000	5,478,310	-	-
Conversion of convertible debentures (5)	18,540,561	1,959,913	-	-
Issued for settlement of accounts payable (7)	-	-	737,500	18,437
Tax effect of flow-through shares	-	(277,675)	-	-
Exercise of stock options (note 8(a))	50,000	5,000		
Share issue costs	-	(753,911)	-	(6,221)
Balance, end of period	70,586,293	$ 15,910,083	74,464,263	$ 8,188,840

(1) On June 15, 2010, the Company consolidated its common shares on a basis of one common share for each four pre-consolidation common shares. Prior to the consolidation the Company had 74,464,263 common shares issued and outstanding. Following consolidation, 18,616,066 common shares were outstanding.

(2) On December 16, 2010, the Company issued 4,383,333 common shares on a “flow-through” basis at a price of $0.15 per share for gross proceeds of $657,500 and 725,000 units at a price of $0.12 per unit for gross proceeds of $87,000. Each unit consists of one common share and one half of one common share purchase warrant, with each warrant entitling the holder thereof to purchase one common share at a price of $0.15 per share for a period of two years from the date of closing. The fair value ascribed to the warrants for the units issued on December 16, 2010 and December 31, 2010 (see 2) was $38,094. The fair value of the warrants was estimated based on the Black-Scholes option pricing models using an expected life of 2 years, a risk-free interest rate of 1.65%, expected dividends of $Nil and a volatility of 70% as underlying assumptions.

(3) On December 31, 2010, the Company issued 3,021,333 common shares on a “flow-through” basis at a price of $0.15 per share for gross proceeds of $453,200 and 1,250,000 units at a price of $0.12 per unit for gross proceeds of $150,000. Each unit consisted of one common share and one half of one common share purchase warrant, with each warrant entitling the holder thereof to purchase one common share at a price of $0.15 per share for a period of two years from the date of closing.

7. Share capital (continued)

(4) On February 2, 2011, the Company sold 24,000,000 units ("Units") of the Company at a price of $0.25 per Unit for gross proceeds of $6,000,000. Each unit consisted of one common share and one half of one common share purchase warrant, with each warrant entitling the holder thereof to purchase one common share at a price of $0.35 per share for a period of 18 months from the date of closing. In addition, the warrants will expire and be of no further force and effect if not exercised within 10 days of receipt of notice from the Company that the 20 day volume weighted average price of the common shares is greater than $0.55. The fair value ascribed to the warrants was $521,690. The fair value of the warrants was estimated based on the Black-Scholes option pricing model using an expected life of 1.5 years, a risk-free rate of 1.65%, expected dividends of $Nil and a volatility of 70% as underlying assumptions. The Agent for the offering was granted broker options to purchase 1,440,000 units, with each broker option entitling the holder to acquire one Unit at a price of $0.25 per unit for a period of 18 months from the closing date. The value ascribed to the broker's option was calculated to be $135,642. The fair value of the Broker's options was estimated based on the Black-Scholes option pricing model using an expected life of 1.5 years, a risk-free rate of 1.65%, expected dividends of $Nil and a volatility of 70% as underlying assumptions. This amount is included as part of share issuance costs.

(5) On February 2, 2011, as part of the terms of the financing (as described in (3)), all amounts outstanding (including accrued interest) of the convertible debentures were converted into common shares of the Company as per the original conversion terms (note 12). Border issued 18,540,561 common shares as a result of the conversion and recorded the conversion value at $1,854,056 plus the $105,857 conversion option as additions to share capital.

Prior Year Issuances

(6) During the period ended March 31, 2010, the Company completed private placements of 16,500,000 units at a price of $0.05 per unit for total proceeds of $825,000. Each unit is comprised of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share at a price of $0.10 per share expiring on October 30, 2010. The Company applied the residual approach in valuing the units and determined that the total proceeds of $825,000 be allocated to the common shares and $NIL to the warrants based on the trading price of the common shares when the private placement was announced and completed. Officers and directors subscribed for $238,100 of the units.

(7) On August 13, 2009, the Company issued 250,000 common shares to a supplier in exchange for an outstanding accounts payable balance of $50,000 and 487,500 common shares to another supplier in exchange for an outstanding accounts payable balance of $63,375. The common shares have been ascribed a value of $.025 per share based on the trading price of the common shares at the time of issuance. The difference between the carrying value of the accounts payable and the fair value of the shares issued of $94,938 has been recognized as a gain on the settlement of accounts payable.

7. Share capital (continued)

(c) Warrants

A summary of the status of the Company's outstanding share purchase warrants as of March 31, 2011 and March 31, 2010 and changes during the periods then ended is as follows:

	March 31, 2011		March 31, 2010	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	**8,250,000**	**$ 0.10**	-	$ -
Reduced by way of 4:1 consolidation	**(6,187,500)**	**0.10**	-	-
	2,062,500	**0.40**	-	-
Issued	**14,427,500**	**0.33**	8,250,000	0.10
Expired	**(2,062,500)**	**0.10**	-	-
Outstanding and exercisable, end of period	**14,427,500**	**$ 0.33**	8,250,000	$ 0.10

As part of the common shares issued in December 2010, the Company issued 987,500 warrants to purchase common shares of the Company at a price of $0.15 for a period of 2 years. The fair value ascribed to the warrants was $38,094. In addition, as part of the February 2, 2011 financing, the Company issued 12,000,000 warrants to purchase common shares of the Company at a price of $0.35 for a period of 18 months. The fair value ascribed to the warrants was $521,690. The Agent for the offering was granted broker options to purchase 1,440,000 units, with each broker option entitling the holder to acquire one unit at a price of $0.25 per unit for a period of 18 months from the closing date. Each unit consists of one common share and one half of one common share purchase warrant with each warrant entitling the holder thereof to purchase one common share at a price of $0.35 per share for a period of 18 months from the option grant. In addition, the warrants will expire and be of no further force and effect if not exercised within 10 days of receipt of notice from the Company that the 20 day volume weighted average price of the common shares is greater than $0.55.The value ascribed to the broker's options and embedded warrants was calculated to be $135,642 and is included as part of warrants.

8. Stock-based compensation

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

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 Company. 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.

8. Stock-based compensation (continued)

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 Company 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.

A summary of the status of the Company's stock option plan as at March 31, 2011 and March 31, 2010 and changes during the periods then ended is as follows:

	March 31, 2011		March 31, 2010	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	7,295,000	$0.10	250,000	$0.20
Cancelled or expired	(4,200,000)	$0.10	(250,000)	$0.20
Subtotal	3,095,000	$0.10	-	-
Adjust for 4:1 consolidation (*)	(2,321,250)	-	-	-
Subtotal	773,750	$0.40	-	-
Granted	2,200,000	$0.19	7,295,000	$0.10
Exercised	(50,000)	$0.10	-	-
Outstanding, end of period	2,923,750	$0.25	7,295,000	$0.10
Exercisable, end of period	1,496,979	$0.29	3,647,500	$0.10

*As a result of the 4:1 consolidation of the Company's outstanding shares, the Options were also consolidated on a 4:1 basis and re-priced at $0.40 per common share.

The Company granted to officers, directors and consultants of the Company 1,000,000 stock options at an exercise price of $0.10 per common share in November 2010, 1,000,000 stock options to purchase common shares at an exercise price of $0.25 per common share in February, 2011 and 200,000 stock options to purchase common shares at an exercise price of $0.38 per common share in March 2011. Options granted in 2011 have a five year life and vest as to 50% immediately and 25% on each of the first and second anniversary dates of grant for the February, 2011 and March, 2011 grants and 33% immediately and 33% on each of the first and second anniversary dates of grant for the November, 2010 grants. During the year ended March 31, 2011, 4,200,000 stock options were cancelled or forfeited.

On November 23, 2009, the Company granted 7,295,000 (pre-consolidation) stock options to officers, directors and consultants of the Company to purchase common shares at $0.10 ($0.40 post-consolidation) per common share for a period of five years from the date of grant.

The fair value of the stock options granted during the periods ended March 31, 2011 and March 31, 2010 have been estimated using the Black-Scholes option-pricing model with the following assumptions:

8. Stock-based compensation (continued)

	2011	2010
Risk-free interest rate	1.8% - 2.38%	2.54%
Expected life	5 years	5 years
Expected volatility	70%	75%
Expected dividends	Nil	Nil
Fair value per option	$0.05 - $0.22	$0.02

For the period ended March 31, 2011, the Company recognized stock-based compensation expense of $140,013 (Eleven month period ended March 31, 2010 – $104,522) with a corresponding increase to contributed surplus.

(b) The following table summarizes information about stock options outstanding and exercisable at March 31, 2011:

Number Outstanding at March 31, 2011	Weighted Average Remaining Contractual Life	Number Exercisable at March 31, 2010	Weighted Average Remaining Contractual Life
2,923,750	4.45 years	1,496,979	4.34 years

(c) Contributed surplus

	March 31, 2011	March 31, 2010
Balance, beginning of period	$ 162,366	$ 57,844
Stock based compensation expense	140,013	104,522
Balance, end of period	$ 302,379	$ 162,366

9. Per share amounts

Net loss per share has been calculated based on the weighted average number of common shares outstanding for the period of 27,785,400 (Period ended March 31, 2010 – 16,249,754 (adjusted for 4:1 share consolidation)). The calculation of diluted income per share for the period ended March 31, 2011 does not include 2,923,750 (Period ended March 31, 2010 – 1,823,750 post consolidation) stock options with a weighted average exercise price of $0.25 (Period ended March 31, 2010 – $0.40 post consolidation), and 14,427,500 (Period ended March 31, 2010 – Nil) warrants with a weighted average exercise price of $0.33 (Period ended March 31, 2010 –N/A) as inclusion of these items would be anti-dilutive.

10. Supplemental cash flow information

	Year Ended March 31, 2011	Eleven Months Ended March 31, 2010
Changes in non-cash working capital balance		
Accounts receivable	$ (237,099)	$ (43,763)
Prepaid expenses and deposits	(1,049)	12,586
Accounts payable and accrued liabilities	246,599	247,187
	$ 8,451	$ 216,010

	Year Ended March 31, 2011	Eleven Months Ended March 31, 2010
Changes in non-cash working capital related to		
Operating activities	$ (96,586)	$ 150,860
Investing activities	105,037	65,150
	$ 8,451	$ 216,010

11. Investment in secured debt

During the year, the Company purchased secured debt from an arm's length party. The price paid was $550,000. The debt is secured via a general security agreement of which the main asset covered is an oil well drilled in northern Alberta. The oil well is located in the Company's core area. Under the terms of the debt assignment agreement, interest accumulates at a per diem rate of $373. Total interest accrued as at March 31, 2011 was $26,109. Management has initiated proceedings to realize on its security.

12. Convertible Debenture

In May 2010, the Company closed a private placement of $1,729,000 of secured convertible debentures (the "debentures"), which will mature 18 months from the date of issuance, bearing interest at the rate of 10% per annum compounded semi-annually payable after as well as before maturity and are secured by a first fixed and floating charge debenture registered against the assets of the Company and an assignment of book debts. The debentures are convertible into common shares on the basis of one share for each $0.10 of the principal amount of debenture and accrued interest. Officers and directors of the Company participated in the private placement of the debentures and purchased $1,089,000 of the Debentures.

On May 3, 2010, the Company closed a $600,000 bridge financing which was secured by a general security agreement over the assets of the Company and the Lenders were issued fixed and floating charge debentures and promissory notes for the amount of the bridge financing. The promissory notes were converted into convertible debentures as part of the offering noted above. Two directors participated in the bridge financing and invested $400,000.

12. Convertible Debenture (continued)

The debentures are a debt security with an embedded conversion option. The equity component represents the value of the holders' option to convert the debt into common shares at the time the debenture is issued. Using the residual value method, the Company allocated a fair value of $1,623,143 to the debt component and $105,857 to the equity component. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 15%, being the estimate of the rate a non-convertible debenture with similar terms would bear. The equity conversion feature of the debentures comprises the value of the conversion option, being the difference between the face value of the debentures and the liability element calculated above. The liability component of $1,623,143 is accreted to its face value of $1,729,000 at maturity through non-cash charges as accretion on convertible debenture.

As part of the terms of the private placement in February, 2011, all amounts outstanding (including accrued interest) of the convertible debentures were converted into common shares of the Company as per the original conversion terms. Cash interest expense accrued on the face value of the debentures amounts to $125,056, which has been recorded as an interest expense in the period. Border issued 18,540,561 common shares as a result of the conversion. As the debentures were converted prior to their maturity date, the Company has recorded a loss on conversion of $55,549.

13. Related party transactions

Transactions Initiated Prior to the Recapitalization of the Company

a. During the year ended March 31, 2011, $50,000 (March 31, 2010 - $286,040) in management fees, which is included in general and administrative expenses was paid to officers and or companies controlled by officers and directors of the Company. In addition, during the year ended March 31, 2011 $89,280 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 directors of the Company. Included in accounts payable and accrued liabilities is $NIL (March 31, 2010 - $46,474) due to officers and companies controlled by officers and directors of the Company. These amounts are recorded at the exchange amount of the consideration established and agreed to by the related parties.

b. During the year ended March 31, 2011, the Company paid $30,000 to a company controlled by two former directors as per the terms of a participation agreement whereby Border paid a fee to participate in a farmout agreement. During the period ended March 31, 2010, the Company purchased land included in petroleum and natural gas properties for $42,064 under this agreement. This was recorded at the exchange amount.

c. During the period ended March 31, 2010, the Company purchased land included in petroleum and natural gas properties for $42,064, from officers and directors of the Company. These transactions are recorded at the carrying amount, which is equivalent to the exchange amount, which is the original cost of the land paid for by the related party.

13. Related party transactions (continued)

Transaction Initiated in Conjunction with the Recapitalization of the Company

d. During the year ended March 31, 2011, two directors participated in a $600,000 bridge financing. The directors invested $400,000. The bridge financing was secured by a general security agreement over the assets of the Company and the Lenders were issued fixed and floating charge debentures and promissory notes for the amount of the bridge financing. The promissory notes were convertible at any time at the option of the Lenders into convertible debentures on the same terms as the debenture offering described in Note 12.

14. Financial instruments

(a) Fair values

The fair values of cash, accounts receivable, investment in secured debt, bank overdraft, and accounts payable and accrued liabilities, approximate their carrying value due to the short term maturity of these instruments.

At March 31, 2011, the Company does not hold any financial instruments for which it has elected to apply hedge accounting under Section 3865. Consequently, the Company'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 Company’s cash and bank overdraft has been valued using Level 1 inputs.

(b) Risks

The Company is exposed to financial risks arising from its financial assets and liabilities. The Company 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 Company are as follows:

14. Financial instruments (continued)

Credit risk

Credit risk is primarily related to the Company'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 Company maintains marketing relationships with large credit-worthy purchasers. The Company 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 Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company 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 Company has the ability in most cases to withhold production from joint venture partners in the event of non-payment.

At March 31, 2011, accounts receivable from various sources is comprised of the following:

	2011	2010
Oil and natural gas marketers	**$ 217,046**	$ 59,562
Joint venture partners	**42,918**	33,183
Goods and services tax	**101,450**	31,570
	$ 361,414	$ 124,315

The Company 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 Company 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 March 31, 2011 and there is $54,335 in accounts receivable outstanding greater than 90 days at March 31, 2011, which the Company would consider past due under normal conditions.

Cash balances consist of amounts on deposit with banks whereas bank overdraft consists of outstanding cheques issued in excess of cash on deposit. The Company manages the credit exposure of cash by selecting financial institutions with high credit ratings. Total credit risk at March 31, 2011 is comprised of $361,414 in accounts receivable, $67,427 in lease reclamation deposits and $576,109 in investment in secured debt.

Market risk

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

14. Financial instruments (continued)

(i) 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 Company has not attempted to mitigate commodity price risk through the use of financial derivative contracts. The Company had no financial derivative sales contracts as at or during the period ended March 31, 2011.

(ii) 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 Company'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 Company had no forward exchange rate contracts in place or working capital items denominated in foreign currencies as at or during the period ended March 31, 2011.

(iii) 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 Company currently has no debt and, therefore, has no interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company'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 Company's reputation. The Company prepares capital expenditure budgets which are regularly monitored and updated as considered necessary. As well, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. Also see note 15 for a discussion on the Company's capital management policy and note 1 for a discussion of the going concern assumption.

15. Capital management

The Company'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.

15. Capital management (continued)

The Company 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 Company'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 Company's projected capital spending and its net debt to maintain a sound capital position.

Working capital, which includes cash and bank overdraft, is a non-GAAP measure, which is determined on the following basis:

	March 31, 2011	March 31, 2010
Cash	$ 3,811,333	$ -
Accounts receivable and prepaid expenses	374,960	137,134
Bank overdraft	-	(20,483)
Accounts payable and accrued liabilities	(813,749)	(567,150)
Working capital (deficiency)	$ 3,372,544	$ (450,499)

16. Commitment and contingent acquisition costs

Pursuant to the Company's flow through financing in December, 2010, the Company is required to spend $1,110,700 on oil and gas development and/or exploration by December 31, 2011, of which the Company had incurred approximately $938,627 at March 31, 2011.

During the year ended March 31, 2011, the Company entered into a termination agreement pertaining to an Area of Mutual Interest ("AMI") and Farmin Agreement dated July 1, 2009. By Termination Agreement dated November 1, 2010, the parties terminated the Area of Mutual Interest Agreement and set out terms for payment by Border. Border is required to pay twenty percent of net monthly revenue (net of royalties, overriding royalties, transportation and processing fees) received from the current and future re-entries conducted by Border on the lands previously covered by the "AMI" at the end of each month to a total maximum payment of all payments under the agreement of $550,000. Total cash payments of $101,996 have been paid for the year ended March 31, 2011.

17. Subsequent events

On April 8, 2011, the Company entered into an agreement with a private, Alberta based oil and natural gas exploration and production company ("PrivateCo"), to complete a business combination pursuant to which Border will acquire all of the issued and outstanding shares of PrivateCo. The Transaction is arm's length and subject to the policies, and approval of the TSXV and the approval of Privateco's shareholders. The Transaction is subject to certain conditions, including the completion of due diligence. The Transaction is anticipated to be structured such that PrivateCo will amalgamate with a newly incorporated, wholly owned subsidiary of Border. Pursuant to the Transaction: (i) the holders of debentures of PrivateCo ("PrivateCo Debentures") will receive a maximum of 6,225,800 common shares of the Company; and (ii) the holders of common shares of PrivateCo ("PrivateCo Shares") will receive four (4) common shares for each PrivateCo Share, resulting in the issuance of a total of approximately 36.54 million shares to the holders of PrivateCo Debentures and PrivateCo Shares combined. All other existing options, warrants or securities convertible into PrivateCo Shares shall be cancelled. In conjunction with the Transaction, Border will also assume PrivateCo'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 PrivateCo will be subject to a voluntary hold period of four months from the date of closing of the Transaction. The acquisition of Private Co is expected to close on or about, July 12, 2011.

On April 11, 2011 the Company acquired certain interests and assets under a farmout agreement between PrivateCo and the Vendor (the "Farmout") pertaining to PrivateCo's land. The Vendor was a company formerly related to a director of the Company. Under the Purchase and Sale Agreement (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 PrivateCo's lands earning on a well by well basis; and (iv) a right of first refusal to acquire all other PrivateCo lands. Pursuant to the PSA, Border paid consideration of $2,572,265, consisting of (i) $1,000,000 cash; and (ii) the issuance of an unsecured promissory note of Border in the amount of $1,572,265 which bears an interest rate of 7% compounded annually, and payable quarterly for a period of two (2) years from the date of issuance and is convertible into Border Shares at a price of $0.30 per share for a period of two (2) years from the date of issuance of the promissory note. Border can repay the debenture at any time, without penalty, with the conversion right of the holder being exercisable prior to repayment.

On May 10, 2011, the Company entered into a new joint venture with the wholly-owned energy company of the Loon River Cree Nation. Under the terms of the Joint Venture, Border will have the opportunity to work directly with the Nation to develop up to 17,120 acres (26.75 sections) of the Slave Point formation lands in the Red Earth area of north central Alberta.