Border Petroleum Corp.

Consolidated Financial Statements

March 31, 2013

(Audited)

Collins Barrow
Chartered Accountants & Consultants

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Independent Auditors' Report

To the Shareholders
Border Petroleum Corp.

We have audited the accompanying consolidated financial statements of Border Petroleum Corp. and its subsidiary, which comprise the consolidated balance sheets as at March 31, 2013 and March 31, 2012, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Border Petroleum Corp. and its subsidiary as at March 31, 2013 and March 31, 2012, and their financial performance and their cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with International Financial Reporting Standards.

(Signed) "Collins Barrow Calgary LLP"

CHARTERED ACCOUNTANTS

Calgary, Canada
July 26, 2013

Border Petroleum Corp.
Consolidated Balance Sheets
(amounts in Canadian dollars)

	Notes	March 31, 2013	March 31, 2012
Assets			
Current assets			
Cash and cash equivalents		$ 8,266,710	$ 12,972,419
Accounts receivable	5(c)	1,394,733	1,500,909
Deposits and prepaid expenses		101,844	56,703
Investment in secured debt	15	899,067	762,929
Total current assets		10,662,354	15,292,960
Lease reclamation deposits		150,422	173,033
Exploration and evaluation assets	7	5,032,385	5,573,557
Property and equipment	8	18,012,275	21,494,092
Total assets		$ 33,857,436	$ 42,533,642
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5(d)	$ 3,142,512	$ 9,075,357
Flow-through share premium		341,626	
Total current liabilities		3,484,138	9,075,357
Decommissioning provisions	10	2,204,770	1,923,376
Note payable	16	-	1,570,273
Total liabilities		5,688,908	12,569,006
Shareholders' Equity			
Share capital	11(b)	65,354,764	50,352,701
Warrants	11(c)	-	819,209
Contributed surplus		2,628,762	712,693
Conversion feature on note payable	16	-	211,141
Deficit		(39,814,998)	(22,131,108)
Total shareholders' equity		28,168,528	29,964,636
Total liabilities and shareholders' equity		$ 33,857,436	$ 42,533,642

Commitments and contingencies	20
Subsequent event	21

See accompanying notes to the consolidated financial statements.

Per: "*Al Kroontje*"
Director

Per: "*Kelly Kimbley*"
Director

Border Petroleum Corp.
Consolidated Statements of Loss and Comprehensive Loss
(amounts in Canadian dollars)

	Notes	Year ended March 31, 2013	2012
Revenue			
Oil and natural gas sales		$ 3,110,509	$ 3,324,944
Royalties		(292,829)	(268,209)
		2,817,680	3,056,735
Expenses			
Production and operating		3,084,943	2,706,771
General and administrative		1,937,269	1,840,242
Transaction costs	4	-	394,604
Stock-based compensation	12(a)	885,719	410,314
Depletion and depreciation	8	1,584,493	1,666,676
Impairment	8	13,480,946	9,817,656
Exploration and evaluation	7	941,790	-
		21,915,160	16,836,263
		(19,097,480)	(13,779,528)
Finance income (expense), net	13	20,286	(51,045)
Loss before income taxes		(19,077,194)	(13,830,573)
Deferred income tax recovery	17	(1,393,304)	(994,415)
Net loss and comprehensive loss		$ (17,683,890)	$ (12,836,158)
Loss per share - basic and diluted	14	$ (0.06)	$ (0.09)

See accompanying notes to the consolidated financial statements.

Border Petroleum Corp.
Consolidated Statements of Changes in Shareholders' Equity
(amounts in Canadian dollars)

	Notes	Number of Common Shares	Share capital stated value	Warrants	Contributed surplus	Conversion feature on note payable	Deficit	Total equity
Balance at March 31, 2011		70,586,293	$ 15,965,618	$ 695,426	$ 302,379	$ -	$ (9,294,950)	$ 7,668,473
Issuance to acquire Class A and B shares of Canflame	11(b)(ii)	30,312,232	9,699,914	-	-	-	-	9,699,914
Issuance in exchange for Canflame debentures and related interest	11(b)(ii)	6,225,594	1,992,190	-	-	-	-	1,992,190
Share issuance – common shares	11(b)(iii)(iv)	93,150,000	19,561,500	-	-	-	-	19,561,500
Share issuance – flow-through shares	11(b)(iii)	24,000,000	6,000,000	-	-	-	-	6,000,000
Flow through share premium	11(b)(iii)	-	(960,000)	-	-	-	-	(960,000)
Exercise of warrants	11(c)	263,834	50,675	-	-	-	-	50,675
Stock-based compensation related to stock options	12(a)	-	-	-	410,314	-	-	410,314
Valuation of broker options	11(b)(iii)	-	-	123,783	-	-	-	123,783
Share issuance costs	11(b)(v)	-	(1,957,196)	-	-	-	-	(1,957,196)
Conversion feature on note payable	16	-	-	-	-	211,141	-	211,141
Net loss and comprehensive loss		-	-	-	-	-	(12,836,158)	(12,836,158)
Balance at March 31, 2012		**224,537,953**	**$ 50,352,701**	**$ 819,209**	**$ 712,693**	**$ 211,141**	**$ (22,131,108)**	**$ 29,964,636**
Share issuance – common shares	11(b)(i)	48,335,000	7,250,250	-	-	-	-	7,250,250
Share issuance – flow-through shares	11(b)(i)	60,106,000	10,750,830	-	-	-	-	10,750,830
Flow through share premium	11(b)(i)	-	(1,734,930)	-	-	-	-	(1,734,930)
Share issuance costs	11(b)(v)	-	(1,264,087)	-	-	-	-	(1,264,087)
Stock-based compensation related to options	12(a)	-	-	-	885,719	-	-	885,719
Non-cash fair value related to warrants expired	11(c)	-	-	(819,209)	819,209	-	-	-
Conversion feature on note payable extinguished	16	-	-	-	211,141	(211,141)	-	-
Net loss and comprehensive loss		-	-	-	-	-	(17,683,890)	(17,683,890)
Balance at March 31, 2013		**332,978,953**	**$ 65,354,764**	**$ -**	**$ 2,628,762**	**$ -**	**$ (39,814,998)**	**$ 28,168,528**

See accompanying notes to the consolidated financial statements.

Border Petroleum Corp.
Consolidated Statements of Cash Flows
(amounts in Canadian dollars)

	Notes	2013	2012
		Year ended March 31,	
Cash and cash equivalents provided by (used in):			
Operating activities			
Loss for the period		$ (17,683,890)	$ (12,836,158)
Adjustments for:			
Depletion and depreciation	8	1,584,493	1,666,676
Impairment	8	13,480,946	9,817,656
Stock-based compensation	12(a)	885,719	410,314
Interest on note payable	16	63,594	106,751
Interest on secured debt	15	(136,138)	(136,510)
Accretion and gain/loss on redemption of on convertible note payable	16	74,135	102,398
Accretion of decommissioning provisions	13	43,238	21,940
Exploration and evaluation expenditures	7	941,790	-
Actual abandonment costs incurred	10	(173,249)	-
Deferred income tax expense (recovery)		(1,393,304)	(994,415)
Operating cash flow before changes in non-cash working capital		(2,312,666)	(1,841,348)
Changes in non-cash working capital	6	(3,873,554)	3,428,620
Net cash from (used in) operating activities		(6,186,220)	1,587,272
Cash flows from investing activities			
Additions to exploration and evaluation assets	7	(8,627,871)	(4,782,584)
Additions to property and equipment	8	(2,944,964)	(12,836,930)
Cash acquired in business combination	4	-	1,922
Investment in secured debt	15	-	(50,310)
Changes in non-cash working capital	6	(1,856,645)	2,805,312
Net cash used in investing activities		(13,429,480)	(14,862,590)
Cash flows from financing activities			
Repayment of bank debt acquired in business combination	4	-	(1,460,000)
Proceeds from common shares	11(b)	7,250,250	19,561,500
Proceeds from flow through shares	11(b)	10,750,830	6,000,000
Proceeds from exercise of warrants		-	50,675
Repayment of note payable	16	(1,708,002)	-
Share issuance costs	11(b)	(1,264,087)	(1,833,413)
Changes in non-cash working capital	6	(119,000)	117,642
Net cash from financing activities		14,909,991	22,436,404
Change in cash and cash equivalents		(4,705,709)	9,161,086
Cash and cash equivalents, beginning of year		12,972,419	3,811,333
Cash and cash equivalents, end of year		$ 8,266,710	$ 12,972,419
Cash and cash equivalents is comprised of:			
Bank balances, end of year		$ 266,710	$ 1,468,202
Term deposits, end of year		8,000,000	11,504,217
Cash and cash equivalents, end of year		$ 8,266,710	$ 12,972,419

See accompanying notes to the consolidated financial statements.

1. General business description

Border Petroleum Corp. ("Border" or the "Corporation") is engaged in the exploration for, development of and production of oil and natural gas in Western Canada and Montana. Border Petroleum Corp. is a publicly traded company, incorporated and domiciled in Canada. The address of business of the Corporation is Suite 2000, 840 – 7 Avenue SW, Calgary, Alberta, Canada, T2P 3G2. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on July 26, 2013.

2. Basis of preparation

(a) Statement of compliance

These financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

(b) Early stages of development

The Corporation 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 Corporation will also need to achieve positive income and cash flow from operating activities to secure its long term viability. As at March 31, 2013, the Corporation had positive working capital of $7,178,216.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities, which are measured at fair value.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Depletion and depreciation and valuation of property and equipment and exploration and evaluation assets

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities*.

The valuation of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves which in turn is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions.

The decision to transfer assets from exploration and evaluation assets to property and equipment is based on the estimated proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

For impairment testing, property and equipment and exploration and evaluation assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

Decommissioning provisions

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts.

Income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Corporation utilizing certain tax pools and assets which, in turn, is dependent on estimates of proved and probable reserves, production rates, future petroleum and natural gas prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and interpretation by taxation authorities.

Stock-based compensation

The amounts recorded relating to the fair value of stock options and warrants granted are based on estimates of the future volatility of the Corporation's share price, expected lives of the options and warrants, expected forfeiture rates, expected dividends and other relevant assumptions.

Investment in secured debt

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 classification of investment in secured debt as a current or non-current asset is based on management's estimate on timing of collection of amounts outstanding.

Contingent acquisition costs

The amount accrued for contingent consideration payable under a land acquisition (note 20(b)) is based upon estimates of proved reserves and future oil and natural gas prices and related transportation and processing costs.

Business combination

The values assigned to the common shares issued in the corporate acquisition completed in fiscal 2012 and the allocation of the purchase price to the net assets in the acquisition are based on numerous estimates that affect the valuation of certain assets and liabilities acquired including discount rates, estimates of proved and probable reserves, estimates of fair values of exploration and evaluation assets, future oil and natural gas prices and other factors.

The number of common shares issued on the business combination and the associated consideration paid are dependent upon management's best estimate of the resolution of the pre-existing legal action.

Convertible note payable

The allocation between the debt and equity components of the convertible note payable is based on estimates of the interest rate the Corporation would pay on a non-convertible note payable with similar terms.

3. Significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Border Acquisition Corp. Intercompany balances and transactions are eliminated upon consolidation.

(b) Business combinations

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in net earnings. Associated transaction costs are expensed when incurred.

(c) Jointly controlled assets

Many of the Corporation's oil and natural gas activities involve jointly controlled assets and are conducted under joint operating agreements. The consolidated financial statements include the Corporation's share of these jointly controlled assets, the relevant revenue and related costs.

(d) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks, term deposits and other similar short-term highly liquid investments that are cashable or with maturities of 90 days or less at the date of issue. Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents.

(e) Exploration and evaluation expenditures and property and equipment

(i) Exploration and evaluation assets

Pre-licence expenditures incurred before the Corporation has obtained legal rights to explore an area are expensed.

Exploration and evaluation assets include the costs of acquiring licences, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights and technical studies.

Exploration and evaluation costs are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting oil and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated.

Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are also assessed for impairment upon their reclassification to property and equipment. The impairment of exploration and evaluation assets and any eventual reversal thereof is recognized in the statement of income.

Exchanges or swaps that involve only exploration and evaluation assets are accounted for at cost. Any gains or losses from the divestiture of exploration and evaluation assets are recognized in the statement of income (loss).

(ii) Property and equipment

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income as incurred.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of income (loss).

(iii) Depletion and depreciation

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Other assets, referred to as corporate and other, are depreciated on a declining balance basis at rates of 20% to 45% per annum approximating their estimated useful lives.

(f) Impairment of non-financial assets

The carrying amounts of the Corporation’s non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of assessing impairment, exploration and evaluation assets and property and equipment are grouped into separate cash-generating units ("CGUs"), defined as the lowest levels for which there are separately identifiable independent cash inflows. Goodwill, if any is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

(g) Provisions and contingent liabilities

Provisions are recognized by the Corporation when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

(i) *Decommissioning provisions*

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Corporation's exploration and evaluation assets and property and equipment. The best estimate of the expenditure required to settle the present obligation at the balance sheet date is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated exploration and evaluation asset or property and equipment and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to Financing Expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and the related asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any difference between the recorded provision and the actual costs incurred is recorded as a gain or loss in the statement of income (loss).

(h) Flow-through shares

From time to time, the Corporation finances a portion of its exploration and development activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. The stated capital recorded on flow-through share issuances is equal to the estimated fair value of the Common Shares, exclusive of the flow-through component, on the date of issue. The difference between the gross proceeds received and the stated capital recorded is a liability ("flow-through share premium") until qualifying expenditures are incurred. When the expenditures are incurred the resulting deferred tax liability is recorded through income tax expense less the reversal of the flow-through share premium previously recorded.

(i) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(j) Compound instruments

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the issue date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability based on amortized cost until the instrument is converted or the instrument matures. The liability component accretes up to the principal balance at maturity. The equity component is determined by deducting the liability component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(k) Revenue

Revenue from the production of oil and natural gas is recognized when title passes from the Corporation to the customer. Transportation costs are reported as a separate expense and are not netted against revenue.

(l) Finance income and expenses

Finance income, consisting of interest income, is recognized as it accrues in the statement of income, using the effective interest method.

Finance expense is comprised of interest expense on borrowings, accretion of discounts on notes payable, accretion of decommissioning provisions and impairment losses recognized on financial assets.

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. A qualifying asset is one that takes a substantial period of time to get ready for use or sale.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Corporation during the period.

All other borrowing costs are recognized in the statement of income (loss) in the period in which they are incurred using the effective interest method.

(m) Share-based payments

The Corporation has a Stock Option Plan as described in note 12. Stock options and warrants granted to directors, officers, employees and consultants of the Corporation are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the options at the grant date using the Black-Scholes option pricing model.

The Corporation measures share-based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or service. If the fair value of the goods or services cannot be measured reliably, the value of the options/warrants granted will be used, measured using the Black-Scholes option pricing model.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(n) Earnings (loss) per share

Earnings (loss) per share are calculated by dividing net and comprehensive income or loss by the weighted average number of common shares outstanding during the period. The Corporation computes the dilutive impact of common shares assuming the proceeds received from the pro forma exercise of in-the-money share options and warrants and conversion of convertible debt securities are used to purchase common shares at average market prices during the period.

(o) Financial instruments

(i) *Classification and measurement*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through the statement of income”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or “financial liabilities measured at amortized cost” as defined by IAS 39, “Financial Instruments: Recognition and Measurement”.

Financial assets and financial liabilities at “fair value through the statement of income” are either classified as “held for trading” or “designated at fair value through the statement of income” and are measured at fair value with changes in fair value recognized in the income statement. Transaction costs are expensed when incurred. The Corporation has designated cash and cash equivalents as “held for trading”.

Financial assets and financial liabilities classified as “loans and receivables”, “held-to-maturity”, or “financial liabilities measured at amortized cost” are measured at amortized cost using the effective interest method of amortization.

“Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

“Held-to-maturity” financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

"Financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through the statement of income" and that are not derivatives.

The Corporation has designated accounts receivable, deposits and investment in secured debt as "loans and receivables" and bank debt, accounts payable and accrued liabilities and note payable as "financial liabilities measured at amortized cost".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Corporation has no assets classified as "available for sale".

(ii) *Derivative financial instruments*

The Corporation may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. The Corporation's policy is not to utilize derivative financial instruments for speculative purposes. All financial derivative contracts are classified as "fair value through the statement of income".

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the statement of income.

Changes in the fair value of separable embedded derivatives are recognized immediately in the income statement. The Corporation has not identified any embedded derivatives.

(iii) *Equity instruments*

Common shares, warrants and conversion feature on note payable are classified as equity. Incremental costs directly attributable to the issue of common shares, warrants and stock options are recognized as a deduction from equity, net of any tax effects.

(iv) *Impairment*

The Corporation assesses at each balance sheet date whether there is objective evidence that financial assets, other than those designated as "fair value through the statement of income" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of income. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of income in the period. Impairment losses may be reversed in subsequent periods.

(p) Future accounting pronouncements

Accounting standards and amendments to existing standards not yet effective

The Corporation has reviewed new and revised accounting standards that have been issued but are not yet effective, and determined that the following may have an impact on the Corporation:

For the annual periods beginning on or after January 1, 2013, the Corporation will be required to adopt the following:

- IFRS 7, "Financial Instruments" provides additional information about offsetting of financial assets and liabilities. Additional disclosures will be required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position.

- IFRS 10, "Consolidated Financial Statements" provides a single model to be applied in control analysis for all investees including special purpose entities.

- IFRS 11, "Joint Arrangements" redefines joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint operations will need to be proportionately consolidated and joint ventures to be equity accounted.

- IFRS 12, "Disclosure of Interests in Other Entities" combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities.

- IFRS 13, "Fair Value Measurement" defines the fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In addition to the issuance of new standards as detailed above, there have also been amendments to existing standards, which are also effective January 1, 2013, including:

- IAS 1, "Presentation of Financial Statements" amended to require presentation of an additional opening balance sheet when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification and to clarify the disclosure requirements.

- IAS 32, "Financial Instruments: Presentation" amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of offset in respect of its financial instruments and clarifying the treatment of income taxes related to distributions and transaction costs.

(amounts in Canadian dollars)

For annual periods beginning on or after January 1, 2015, the Corporation will be required to adopt:

- IFRS 9, "Financial Instruments" - the new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

The Corporation has not yet completed its assessment and evaluation of the effect of adopting the new and amended standards and the impact it may have on its financial statements.

4. Business combination

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 (Border Acquisition Corp.) 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 at $0.32 per common share 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 common shares issued to the shareholders of Canflame were 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 (see note 20(c)). 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 $394,604 related to this transaction have been charged to income during the year ended March 31, 2012.

Consideration:

Common shares issued to acquire Class A and B shares of Canflame	$	9,699,914
Common shares issued to Canflame debenture holders		1,992,190
	$	11,692,104

(amounts in Canadian dollars)

Fair value of assets and liabilities acquired:

Cash	$	1,922
Accounts receivable		411,085
Lease reclamation deposits		105,606
Exploration and evaluation assets		126,753
Property and equipment		14,754,154
Accounts payable and accrued liabilities		(1,138,467)
Bank debt		(1,460,000)
Decommissioning provisions		(1,108,949)
	$	11,692,104

The attributed values of the common shares have been excluded from the statement of cash flows as non-cash transactions. The accounts of the Corporation include the results of Canflame from July 13, 2011.

The Corporation did not record a deferred income tax asset on the acquisition of Canflame because the Corporation applied a full valuation allowance on the deferred income tax asset of Canflame.

The consolidated revenues and net income (loss) since the closing date of the Transaction, and pro forma consolidated revenue and net income (loss) giving effect to the Transaction as if it had occurred April 1, 2011, are not practicable to determine. The operations of Canflame are not managed as a separate business unit or division of Border and general business overhead and other costs of Border are not allocated or identified on a specific entity basis. Any such allocation would be arbitrary and would require significant assumptions and estimates about what management's intent would have been during those periods.

5. Financial instruments and risk management

(a) Risk management overview

The Corporation’s activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation’s exposure to each of the above risks, the Corporation’s objectives, policies and processes for measuring and managing risk, and the Corporation’s management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk are in compliance with the Corporation’s business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation’s risk management framework, Border's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

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

At March 31, 2013, the Corporation does not have any financial derivatives, including commodity contracts.

(amounts in Canadian dollars)

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents are measured at fair value based on their Level 1 designation.

(c) Credit risk

Credit risk is primarily related to the Corporation's receivables from oil and natural gas marketers and joint interest partners and the risk of financial loss if a customer, partner, or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. Currently the Corporation sells the majority of its production to one oil and gas marketer. The Corporation historically has not experienced any collection issues with its oil and natural gas marketers. Joint interest partners 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 interest partners receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Corporation does not typically obtain collateral from joint interest 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.

As at March 31, 2013 and March 31, 2012, the Corporation's accounts receivable were comprised of the following:

	March 31, 2013	March 31, 2012
Oil and natural gas sales	$ 438,462	$ 420,381
Joint interest partners and other	512,639	657,026
GST	443,632	423,502
	1,394,733	1,500,909
Less: allowance for doubtful accounts	-	-
	$ 1,394,733	$ 1,500,909

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 year ended March 31, 2013, and there are $469,308 (2012 - $595,949) in accounts receivable outstanding greater than 90 days at March 31, 2013, which the Corporation would consider past due under normal conditions.

(amounts in Canadian dollars)

Cash and cash equivalent balances consist of amounts on deposit with banks and term deposits. The Corporation manages the credit exposure of cash by selecting financial institutions with high credit ratings.

The investment in secured debt consists of principal plus accrued interest owed to the Corporation by another junior oil and gas company (the "debtor"). The Corporation has security for the debt consisting of a general security agreement over all assets of the debtor and ranks first over all other creditors with respect to its security. The main asset held as security is an oil and gas well in the Corporation's core area. The debtor is currently engaged in bankruptcy proceedings and the collection of amounts owing depends on the amount which is able to be realized on the disposal of the secured assets by the bankruptcy trustee. Management believes the value of the security held meets or exceeds the amounts the Corporation is owed.

Total credit risk at March 31, 2013, is comprised of $1,394,733 in accounts receivable, $60,816 in deposits, $67,247 in lease reclamation deposits, $899,067 in investment in secured debt and $8,266,710 in cash and cash equivalents.

(d) 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 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 note 5(f) for a discussion on the Corporation's capital management policy.

The Corporation's accounts payable and accrued liabilities as at March 31, 2013 and 2012 are comprised of the following:

	March 31, 2013	March 31, 2012
Trade	$ 970,985	$ 1,555,725
Royalties	45,717	44,183
Capital	1,616,106	7,471,714
Joint venture	509,704	3,735
	$ 3,142,512	$ 9,075,357

The Corporation's accounts payable and accrued liabilities as at March 31, 2013 and 2012 are aged as follows:

	March 31, 2013	March 31, 2012
0 to 30 days	$ 1,252,899	$ 7,141,647
31 to 60 days	589,648	995,932
61 to 90 days	346,576	300,551
Greater than 90 days	953,389	637,227
Total accounts payable and accrued liabilities	$ 3,142,512	$ 9,075,357

The Corporation expects to satisfy its obligations under accounts payable and accrued liabilities within the next year.

The Corporation is also subject to future commitments as disclosed in note 20.

(e) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation’s net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

Foreign currency risk

Prices for oil are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Corporation will be influenced by both U.S. and Canadian demand and the corresponding North American supply, and by imports of liquefied natural gas. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and natural gas commodities.

The impact of such exchange rate fluctuations cannot be accurately quantified. As at March 31, 2013 and 2012, the Corporation had no forward exchange rate contracts in place nor any working capital items denominated in foreign currencies.

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 risk to the extent that bank debt, if any, bears interest at a floating rate. The Corporation had no interest rate swaps or financial contracts in place as at or during the years ended March 31, 2013 or March 31, 2012.

Commodity price risk

The nature of the Corporation’s operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. Border's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

(amounts in Canadian dollars)

The Corporation's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Corporation, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Corporation had not entered into financial derivative sales contracts as at or during the years ended March 31, 2013 or 2012.

(f) 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 (excluding flow-through share premium) 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 debt 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.

The Corporation has no externally imposed capital requirements, other than the working capital covenant requirements disclosed in note 9. There were no changes in the Corporation's approach to capital management during the year ended March 31, 2013.

Working capital is determined on the following basis:

	March 31, 2013	March 31, 2012
Cash and cash equivalents	$ 8,266,710	$ 12,972,419
Accounts receivable and deposits and prepaid expenses	1,496,577	1,557,612
Investment in secured debt	899,067	762,929
Accounts payable and accrued liabilities	(3,142,512)	(9,075,357)
Working capital	$ 7,519,842	$ 6,217,603

(amounts in Canadian dollars)

6. Supplemental cash flow information

Changes in non-cash working capital is comprised of:

	March 31, 2013	March 31, 2012
Source/(use) of cash:		
Accounts receivable	$ 106,176	$ (728,410)
Deposits, prepaid expenses and lease reclamation deposits	(22,530)	(43,157)
Accounts payable and accrued liabilities	(5,932,845)	7,123,141
	$ (5,849,199)	$ 6,351,574
Related to operating activities	$ (3,873,554)	$ 3,428,620
Related to investing activities	(1,856,645)	2,805,312
Related to financing activities	(119,000)	117,642
Changes in non-cash working capital	$ (5,849,199)	$ 6,351,574
Cash interest paid	$ 198,419	$ 3,714

7. Exploration and evaluation assets

Balance at March 31, 2011	$ 1,185,451
Acquired from business combination (note 4)	126,753
Additions	4,782,584
Transfers to property and equipment (note 8)	(521,231)
Balance at March 31, 2012	5,573,557
Additions	8,627,871
Transfers to property and equipment (note 8)	(8,227,253)
Exploration and evaluation assets expensed	(941,790)
Balance at March 31, 2013	$ 5,032,385

Exploration and evaluation assets include undeveloped lands and assets that management has not fully evaluated for technical feasibility and commercial viability. Additions represent the Corporation's share of costs incurred on exploration and evaluation assets during the year. Transfers to property and equipment represent successful drilling and related land costs to which technical feasibility and commercial viability are determined to exist.

During the year ended March 31, 2013, the Corporation expensed certain costs previously capitalized as exploration and evaluation assets as the lease term of undeveloped lands expired in the amount of $26,000 (2012 - $Nil) as well as $915,790 (2012 - $Nil) relating to its Montana, USA assets as the Corporation had no plans to pursue development of these assets. These amounts have been included as exploration and evaluation expenditures in the statement of income (loss).

(amounts in Canadian dollars)

8. Property and equipment

	Oil and natural gas interests	Corporate and other	Total
Cost			
Balance at March 31, 2011	$ 3,211,881	$ 31,174	$ 3,243,055
Acquisitions of property and equipment (notes 4 and 16)	17,308,514	17,905	17,326,419
Additions	11,819,681	17,249	11,836,930
Transfers from exploration and evaluation assets (note 7)	521,231	-	521,231
Decommissioning provisions	304,653	-	304,653
Balance at March 31, 2012	33,165,960	66,328	33,232,288
Additions	2,936,383	8,581	2,944,964
Transfers from exploration and evaluation assets (note 7)	8,227,253	-	8,227,253
Decommissioning provisions (note 10)	411,405	-	411,405
Balance at March 31, 2013	$ 44,741,001	$ 74,909	$ 44,815,910
Accumulated depletion, depreciation and net impairment losses			
Balance at March 31, 2011	$ 248,708	$ 5,156	$ 253,864
Depletion and depreciation	1,650,049	16,627	1,666,676
Impairment	9,817,656	-	9,817,656
Balance at March 31, 2012	11,716,413	21,783	11,738,196
Depletion and depreciation	1,569,306	15,187	1,584,493
Impairment	13,480,946	-	13,480,946
Balance at March 31, 2013	$ 26,766,665	$ 36,970	$ 26,803,635
Net book value:			
At March 31, 2011	$ 2,963,173	$ 26,018	$ 2,989,191
At March 31, 2012	$ 21,449,547	$ 44,545	$ 21,494,092
At March 31, 2013	$ 17,974,336	$ 37,939	$ 18,012,275

During the year ended March 31, 2013, the Corporation recorded impairment losses of $Nil (2012 - $9,584,909) attributable to the Leduc CGU, $6,060 (2012 - $232,747) to the Cardiff Area CGU, and $13,474,886 (2012 - $Nil) to the Red Earth CGU.

During 2013, the Red Earth impairment was caused mainly due to drilling results in 2013 in the area not being assigned reserves sufficient to cover the costs incurred.

During 2012, the Leduc impairment was caused by changes in forecasted commodity prices that reflected the continued weakness in natural gas prices, available well results to date and a change in reserve evaluators. This resulted in lower estimated recoverable reserve amounts and lower net present values in the Corporation's March 31, 2012 independent reserve evaluation. The Cardiff impairment was due to the shutting-in of the only well in this CGU.

(amounts in Canadian dollars)

At March 31, 2013, $28,164,000 (March 2012 - $34,666,000) of future development costs related to proved and probable reserves were included in costs subject to depletion.

The recoverable amounts of the Corporation's CGUs were estimated as the fair value less costs to sell based on the net present value of the before tax net cash flows from oil and natural gas proved plus probable reserves estimated by the Corporation's external reserve evaluators discounted at a rate of 10% (2012 – 10%) per annum.

The impairment evaluation at March 31, 2013 and 2012 reflects the following commodity price estimates:

Year	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	Alberta AECO-C Spot ($Cdn/MMBTU)
2013 Forecast Prices			
2013	92.85	87.92	3.52
2014	90.51	85.58	3.80
2015	87.69	87.75	3.95
2016	93.22	93.30	4.66
2017	96.96	97.03	5.32
2018	98.41	98.49	5.40
2019	99.89	99.96	5.49
2020	101.38	101.46	5.57
2021	102.91	102.99	5.66
2022	104.45	104.53	5.75
2023	106.02	106.10	5.84
2024	107.61	107.69	5.94
	Escalation rate of 1.5% thereafter		
2012 Forecast Prices			
2012	108.05	97.15	2.37
2013	105.97	105.09	3.19
2014	100.29	99.45	3.61
2015	97.37	96.56	5.18
2016	99.37	98.54	5.71
2017	101.35	100.51	5.83
2018	103.38	102.52	5.95
2019	105.45	104.57	6.08
2020	107.56	106.66	6.20
2021	109.71	108.80	6.33
	Escalation rate of 2.0% thereafter		

(amounts in Canadian dollars)

Adjustments were made to the benchmark prices to arrive at the Corporation's average prices for purposes of the impairment tests and to reflect varied delivery points and quality differentials in the products delivered.

9. Bank debt

At March 31, 2013 and 2012, the Corporation had no bank debt outstanding under its demand revolving operating facility. This facility provides that advances be made by way of prime-based loans and letters of credit to an aggregate maximum of $3,500,000. The facility bears interest of prime plus 1.25% per annum on prime-based loans and 2.00% per annum with a minimum fee of $200 for letters of credit. There is also a non-refundable facility fee calculated at a rate of 0.25% per annum, payable monthly, calculated on the unused portion of the authorized amount of this facility.

The credit facility is secured by a general security agreement and a guarantee of a subsidiary corporation that was formed to complete the business combination described in note 4.

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.

The next review date scheduled for this facility is July 31, 2013, or earlier at the discretion of the lender.

10. Decommissioning provisions

The Corporation's decommissioning provisions result from its ownership interest in oil and natural gas assets including well sites and gathering systems. Total decommissioning provisions is estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provisions, before considering salvage, is approximately $2,415,344 at March 31, 2013 (2012 – $2,167,569), which has been discounted using risk-free rates ranging from 1.00% to 2.50% at March 31, 2013 (2012 – 1.20% to 2.66%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 24 years into the future and will be funded from general corporate resources at the time of abandonment.

The following table summarizes changes in the decommissioning provisions for the years ended March 31, 2013 and 2012:

	March 31, 2013	March 31, 2012
Decommissioning provisions, beginning of year	$ 1,923,376	$ 487,834
Liabilities assumed on acquisition (note 4)	-	1,108,949
New liabilities recognized	70,967	-
Actual abandonment costs incurred	(173,249)	-
Change in previous estimates	340,438	304,653
Accretion (unwinding of discount)	43,238	21,940
Decommissioning provisions, end of year	$ 2,204,770	$ 1,923,376

(amounts in Canadian dollars)

11. Share capital

(a) Authorized

Unlimited number of voting common shares

(b) Issued common shares

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

	March 31, 2013		March 31, 2012	
	Number	**Stated value**	**Number**	**Stated Value**
Balance, beginning of period	224,537,953	$ 50,352,701	70,586,293	$ 15,965,618
Issuance to acquire Canflame A&B shares (ii)	-	-	30,312,232	9,699,914
Issuance for Canflame debentures & accrued interest (ii)	-	-	6,225,594	1,992,190
Issuance of common shares (iii)	-	-	81,000,000	17,010,000
Issuance of flow-through shares (iii)	-	-	24,000,000	6,000,000
Issuance common shares (iv)	-	-	12,150,000	2,551,500
Flow-through share premium (iii)	-	-	-	(960,000)
Exercise of warrants (note 11(c))	-	-	263,834	50,675
Issuance common shares (i)	48,335,000	7,250,250	-	-
Issuance of flow-through shares (i)	60,106,000	10,750,830	-	-
Flow-through share premium (i)	-	(1,734,930)	-	-
Share issue costs (v)	-	(1,264,087)	-	(1,957,196)
Balance, end of period	332,978,953	$ 65,354,764	224,537,953	$ 50,352,701

Current year issuances

(i) On September 28, 2012, the Corporation closed a bought deal offering with a syndicate of Underwriters for the issuance of 48,335,000 common shares of the Corporation at a price of $0.15 per common share and 55,556,000 Canadian Exploration Expense (“CEE”) flow-through shares of the Corporation at a price of $0.18 per flow-through share and 4,550,000 Canadian Development Expense (“CDE”) flow-through shares of the Corporation at a price of $0.165 per flow-through share for aggregate gross proceeds of $18,001,080. The Underwriters were paid a cash commission of 6% of the gross proceeds of the offering.

Of the total proceeds from the flow-through shares issued, the premium paid for the flow-through shares of $1,734,930 was recorded as flow-through share premium. At December 31, 2012, the Corporation had incurred all of the CDE qualifying expenditures related to this issuance and accordingly, the flow-through share premium has been reversed through deferred income tax recovery. At March 31, 2013, the Corporation has incurred $8.0 million of the CEE qualifying expenditures related to this issuance and accordingly, the flow-through share premium related to expenditures incurred has been reversed through deferred income tax recovery. An additional $2.0 million of CEE qualifying expenditures is required to be spent by December 31, 2013 (note 20(a)).

Prior Year Issuances

(ii) On July 13, 2011, the Corporation closed a business combination between Canflame and a newly incorporated, wholly owned subsidiary of Border by way of an amalgamation (note 4).

(iii) On November 30, 2011, the Corporation closed a bought deal offering with a syndicate of Underwriters for the issuance of 81,000,000 common shares of the Corporation at a price of $0.21 per common share and 24,000,000 flow-through shares of the Corporation at a price of $0.25 per flow-through share for aggregate gross proceeds of $23,010,000. The Underwriters were paid a cash commission of 6% of the gross proceeds of the offering and were granted broker warrants entitling the Underwriters to purchase 2,100,000 common shares of the Corporation equalling 2% of the number of common shares and flow-through shares sold under the offering at an exercise price of $0.21 per share for a period of 12 months from the closing of the offering. The fair value ascribed to the warrants for the units issued on November 30, 2011 and December 14, 2011 was $109,571 and $14,212, respectively (note 12(b)(iv)). The fair value of the warrants was estimated based on the Black-Scholes option pricing model using an expected life of 1 year, a risk-free interest rate of 1.33%, expected dividends of $Nil, a forfeiture rate of Nil%, a market price of shares of $0.20 and a volatility of 70% as underlying assumptions.

Of the total proceeds from the flow-through shares issued, the premium paid for the flow-through shares of $960,000 was recorded as flow-through share premium. At March 31, 2012, the Corporation had incurred all of the qualifying expenditures related to this issuance and accordingly, the flow-through share premium has been reversed through deferred income tax recovery.

(iv) On December 14, 2011, the Underwriters exercised the full Over-Allotment Option that they were granted with the offering, and purchased an additional 12,150,000 common shares at a price of $0.21 per common share for additional gross proceeds of up to $2,551,500. The Over-Allotment Option was issued on the same terms and conditions as the November 30, 2011 offering. The Underwriters received a fee of 6% of the gross proceeds of the Over-Allotment Option and compensation options entitling the Underwriters to purchase 243,000 Common Shares at an exercise price of $0.21 per share for a period of 12 months from the closing of the Over-Allotment Option.

(v) During the year ended March 31, 2013, the Corporation incurred $1,264,087 (2012 - $1,833,413) of share issuance costs related to financings, which was further adjusted to reflect the valuation of Broker options of $Nil (2012 - $123,783) to total $1,264,087 (2012 - $1,957,196).

(amounts in Canadian dollars)

(c) Warrants

	March 31, 2013			March 31, 2012		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Outstanding, beginning of year	16,506,666	$	0.32	14,427,500	$	0.33
Issued (ii)	-		-	2,343,000		0.21
Exercised	-		-	(263,834)		0.19
Expired (i)	(16,506,666)		0.32	-		-
Outstanding and exercisable, end of year	-	$	-	16,506,666	$	0.32

(i) During the year ended March 31, 2013, outstanding and exercisable warrants totalling 16,506,666 expired; leaving no outstanding warrants as at March 31, 2013.

(ii) Upon the closing of the bought deal offering during the year ended March 31, 2012, the Underwriters were paid a cash commission of 6% of the gross proceeds of the offering and were granted broker warrants entitling the Underwriters to purchase 2,100,000 common shares of the Corporation equalling 2% of the number of common shares and flow-through shares sold under the offering at an exercise price of $0.21 per share for a period of 12 months from the closing of the offering. On December 14, 2011, the Underwriters received a fee of 6% of the gross proceeds of the Over-Allotment Option and compensation options entitling the Underwriters to purchase 243,000 Common Shares at an exercise price of $0.21 per share for a period of 12 months from the closing of the Over-Allotment Option.

12. Stock-based compensation

(a) Stock option plan

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

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

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

(amounts in Canadian dollars)

The following options have been awarded under the stock option plan:

	March 31, 2013		March 31, 2012	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	14,936,250	$0.23	2,923,750	$0.25
Cancelled or expired	(311,250)	$0.23	(537,500)	$0.25
	14,625,000	$0.23	2,386,250	$0.25
Granted	-	-	12,550,000	$0.23
Exercised	-	-	-	-
Outstanding, end of year	14,625,000	$0.23	14,936,250	$0.23
Exercisable, end of year	6,408,334	$0.23	1,865,417	$0.26

On December 7, 2011, the Corporation granted 12,550,000 stock options to officers, directors and consultants of the Corporation to purchase common shares at $0.23 per common share for a period of five years from the date of grant. The options vest as to 33.33% on each of the first, second and third anniversary dates of grant. During the year ended March 31, 2012, 537,500 stock options were cancelled or forfeited.

The fair value of the stock options granted during the year ended March 31, 2012 has been estimated using the Black-Scholes option-pricing model with the following assumptions:

	2012
Risk-free interest rate	1.33%
Expected life	5 years
Expected volatility	70%
Expected dividends	Nil
Forfeiture rate	Nil
Fair value per option	$0.13
Market price of shares	$0.23

Compensation costs of $885,719 for the year ended March 31, 2013, (2012 - $410,314) have been expensed and have resulted in a corresponding increase in contributed surplus.

(amounts in Canadian dollars)

(b) The following table summarizes the expiry terms of the Corporation's outstanding stock options as at March 31, 2013:

Date of grant	Exercise Price	Outstanding Options	Weighted Average Remaining Contractual life (years)	Number of Stock Options Exercisable
November 23, 2009	$0.40	550,000	1.7	550,000
November 3, 2010	$0.10	825,000	2.6	825,000
February 2, 2010	$0.25	725,000	2.8	725,000
March 1, 2011	$0.38	200,000	2.9	200,000
December 7, 2011	$0.23	12,325,000	3.7	4,108,334
		14,625,000	3.5	6,408,334

13. Finance income and expense

	March 31, 2013	March 31, 2012
Finance income		
Interest	$ 229,327	$ 183,758
Finance expenses		
Interest on bank debt	$ 28,074	$ 3,714
Interest on note payable (note 16)	63,594	106,751
Accretion and gain/loss on redemption of convertible note payable (note 16)	74,135	102,398
Accretion of decommissioning provisions (note 10)	43,238	21,940
	$ 209,041	$ 234,803
Net finance income (expense)	$ 20,286	$ (51,045)

14. Loss per share

The following table summarizes the common shares used in calculating loss per share:

	March 31	
Weighted Average Common Shares	**2013**	**2012**
Basic and diluted	279,204,101	135,394,501

All outstanding options, warrants and conversion features on note payable were excluded from the dilution calculation as inclusion of these items would be anti-dilutive for all periods.

15. Investment in secured debt

During the year ended March 31, 2011, the Corporation 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 Corporation's core area. Under the terms of the debt assignment agreement, interest accumulates at a per diem rate of $373. Total interest accrued during the period ended March 31, 2013 was $136,138 (2012 - $136,510).

During the year ended March 31, 2012, the Corporation purchased additional secured debt of $50,310 from arm's length parties. Management has initiated proceedings to realize on its security and anticipates collection of all amounts due within the next 12 months.

16. Note payable

On April 11, 2011, the Corporation acquired certain interests and assets under a farmout agreement between PrivateCo and the Vendor (the "Farmout") pertaining to PrivateCo's land.

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 common 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.

During the year ended March 31, 2013, the note payable was modified such that the interest rate was reduced to 4% from 7% compounded annually, and the payment and conversion period was increased to three (3) years from two (2) years.

The promissory note payable is a debt security with an embedded conversion option. The equity component represents the value of the Vendor's option to convert the debt into common shares at the time the note payable is issued. The Corporation allocated a fair value of $1,361,124 to the debt component and $211,141 to the equity component. The Corporation 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 note payable with similar terms would bear. The equity conversion feature of the note payable comprises the value of the conversion option, being the difference between the face value of the note payable and the liability element calculated above.

The liability component of $1,361,124 is accreted to its face value of $1,572,265 at maturity through non-cash charges as accretion on convertible note payable. During the year ended March 31, 2013, the Corporation recorded accretion on convertible note payable of $74,135 (2012 - $102,398) and interest expense accrued on the face value of the note payable of $63,594 (2012 - $106,751). During the year ended March 31 2013, $1,702,879 was repaid against the convertible note payable with $1,532,534 applied against the note payable account and $170,345 applied against accumulated interest to date. The note payable was further reduced by the holder in the amount of $25,000 for early payment and by $14,731 as settlement of accounts receivable due from the holder to the Corporation.

17. Income taxes

(amounts in Canadian dollars)

(a) Deferred income tax recovery

The provision for income taxes in the consolidated financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rate to the Corporation's loss before income tax. The difference results from the following items:

	March 31, 2013	March 31, 2012
Loss before income taxes	$ (19,077,194)	$ (13,830,573)
Statutory tax rate	25.00%	26.13%
Expected income tax recovery	(4,769,299)	(3,613,929)
Stock-based compensation	221,430	107,215
Flow-through share renouncement	2,175,269	1,500,000
Flow-through share premium reversal	(1,393,304)	(994,415)
Changes in tax rates	(192,433)	150,159
Other	-	11,451
Increase in valuation allowance	2,565,033	1,845,104
Deferred income tax recovery	$ (1,393,304)	$ (994,415)

The decrease in the statutory rate from 2013 and 2012 is due to a reduction in the federal corporate tax rate from 16.5% to 15%.

(b) Deferred income tax asset

The components of the Corporation's deferred income tax assets are as follows:

	March 31, 2013	March 31, 2012
Exploration and evaluation assets and property and equipment	$ 88,123	$ 889,803
Decommissioning provisions	551,193	480,844
Non-capital losses	5,201,818	1,715,783
Share issue costs	592,303	465,953
Valuation allowance	(6,433,437)	(3,552,383)
Deferred income taxes	$ -	$ -

The Corporation has approximately $20,807,000 of non-capital losses as well as $6,570,000 additional tax pools for which a deferred tax asset has not been recognized. The non-capital losses expire between 2026 and 2033.

(amounts in Canadian dollars)

18. Related party transactions

The Corporation utilizes the services of a law firm in which a Director of the Corporation is a Partner. During the year ended March 31, 2013, the Corporation incurred $129,160 (2012 - $291,478) on legal services, of which $50,581 (2012 - $193,705) is included in general and administrative expense or transaction costs and $78,579 (2012 - $97,773) is included in share issuance costs. At March 31, 2013, $2,151 (2012 - $5,686) is included in accounts payable and accrued liabilities.

19. Key management personnel

The remuneration of the key management personnel of the Corporation, which includes both directors, officers and key consultants, is set out below in aggregate:

	March 31, 2013	March 31, 2012
Salaries	$ 599,992	$ 521,277
Stock-based compensation [1]	739,160	349,134
	$ 1,339,152	$ 870,411

[1] Represents the amortization of stock-based compensation expense as recorded in the financial statements.

Total salaries expenses for employees, directors and management included in general and administrative expenses on the statement of loss for 2013 is $693,000 (2012 - $550,000).

20. Commitments and contingencies

(a) Flow-through share commitment

Pursuant to the Corporation's flow-through financing in September 2012, the Corporation is required to spend $750,750 of qualifying oil and natural gas development costs (“CDE”) by December 31, 2012, and $10,000,080 of qualifying oil and natural gas exploration costs (“CEE”) by December 31, 2013. At March 31, 2013, the Corporation had incurred $750,750 on qualifying CDE expenditures and $7,950,326 CEE expenditures toward fulfilling these flow-through share spending commitments.

(b) Contingent acquisition costs

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

For the year ended March 31, 2013, total cash payments of $32,250 (2012 - $100,708) have been paid and an additional $34,386 (2012 - $66,727) has been accrued for the year ending March 31, 2013 based on management's estimate of the amount that will ultimately be paid under the Termination Agreement.

(c) Legal matters

Canflame, now amalgamated with the wholly-owned subsidiary of the Corporation, has been named as a defendant in a lawsuit on behalf of a joint venture partner seeking to recover damages allegedly sustained by them as a result of a breach of agreement. The complaint with respect to this action generally alleges Canflame failed to pay certain AFEs. Canflame has also filed a counterclaim. These lawsuits remain at an early stage and management has determined that the likelihood of any loss occurring as being remote and has accrued no amounts related to this claim at March 31, 2013 (see note 4).

(d) Office lease

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

Office Premises	- 2014	$	225,792
	- 2015		150,528
		$	376,320

21. Subsequent event

The Corporation has formed a Special Committee of independent directors and has initiated a strategic review process to identify, examine and consider a range of strategic alternatives available to Border, with a view to maximizing shareholder value. This process could result in a sale of the Corporation, a sale of a material portion of the Corporation's assets, a merger, business combination or a corporate reorganization, among other alternatives.