Border Petroleum Corp.

Condensed Interim Consolidated Financial Statements

September 30, 2011 and 2010

(unaudited)

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

(unaudited)

	Notes	September 30, 2011	March 31, 2011	April 1, 2010
Assets				
Current assets				
Cash and cash equivalents		$ 164,836	$ 3,811,333	$ -
Accounts receivable	5(c)	1,059,732	361,414	124,315
Deposits and prepaid expenses		42,439	13,546	12,819
Investment in secured debt	15	644,364	-	-
Total current assets		1,911,371	4,186,293	137,134
Investment in secured debt	15	-	576,109	-
Lease reclamation deposits		173,033	67,427	67,105
Exploration and evaluation assets	7	1,539,101	1,185,451	1,004,064
Property and equipment	8	23,338,086	2,989,191	29,615
Total assets		$ 26,961,591	$ 9,004,471	$ 1,237,918
Liabilities				
Current liabilities				
Bank debt	9	$ 2,670,000	$ -	$ 20,483
Accounts payable and accrued liabilities	5(d)	2,734,312	813,749	567,150
Flow-through share premium		-	34,415	-
Total current liabilities		5,404,312	848,164	587,633
Decommissioning provisions	10	1,734,817	487,834	292,541
Note payable	16	1,462,735	-	-
Total liabilities		8,601,864	1,335,998	880,174
Shareholders' Equity				
Share capital	11(b)	27,622,010	15,965,618	8,188,840
Warrants	11(c)	695,426	695,426	-
Contributed surplus		344,581	302,379	162,366
Conversion feature on note payable	16	211,141	-	-
Deficit		(10,513,431)	(9,294,950)	(7,993,462)
Total shareholders' equity		18,359,727	7,668,473	357,744
Total liabilities and shareholders' equity		$ 26,961,591	$ 9,004,471	$ 1,237,918

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Per: "*Al Kroontje*"
Director

Per: "*Kelly Kimbley*"
Director

See accompanying notes to the condensed interim consolidated financial statements.

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

(unaudited)

	Notes	Three months ended September 30, 2011	Three months ended September 30, 2010	Six months ended September 30, 2011	Six months ended September 30, 2010
Revenue					
Oil and natural gas revenue		$ 873,376	$ 220,209	$ 1,115,592	$ 401,312
Royalties		(81,010)	(37,102)	(85,475)	(54,541)
		792,366	183,107	1,030,117	346,771
Expenses					
Production and operating		722,065	109,688	976,794	272,998
General and administrative		414,859	137,096	696,632	347,847
Transaction costs	4	61,426	-	151,804	-
Stock-based compensation (recovery)	12(b)	23,443	7,414	42,202	5,347
Depletion and depreciation	8	315,062	75,699	371,968	79,411
		1,536,855	329,897	2,239,400	705,603
		(744,489)	(146,790)	(1,209,283)	(358,832)
Finance expense	13	(27,744)	(73,959)	(43,613)	(100,041)
Loss before income taxes		(772,233)	(220,749)	(1,252,896)	(458,873)
Deferred tax expense (recovery)		-	-	(34,415)	-
Net loss and comprehensive loss for the period		$ (772,233)	$ (220,749)	$ (1,218,481)	$ (458,873)
Loss per share - basic and diluted	14	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

See accompanying notes to the condensed interim consolidated financial statements.

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

(unaudited)

	Notes	Number of Common Shares	Share capital stated value	Warrants	Contributed surplus	Conversion feature on note payable	Conversion feature on convertible debt	Deficit	Total equity
Balance at April 1, 2010		74,464,263	$ 8,188,840	$ -	$ 162,366	$ -	$ -	$ (7,993,462)	$ 357,744
Stock-based compensation related to stock options	12(b)	-	-	-	5,347	-	-	-	5,347
Conversion feature on convertible debt		-	-	-	-	-	105,857	-	105,857
Net loss and comprehensive loss		-	-	-	-	-	-	(458,873)	(458,873)
Balance at September 30, 2010		**74,464,263**	**$ 8,188,840**	**$ -**	**$ 167,713**	**$ -**	**$ 105,857**	**$ (8,452,335)**	**$ 10,075**
Balance at April 1, 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	4	30,312,232	9,699,914	-	-	-	-	-	9,699,914
Issuance in exchange for Canflame debentures and related interest	4	6,225,594	1,992,190	-	-	-	-	-	1,992,190
Stock-based compensation related to stock options	12(b)	-	-	-	42,202	-	-	-	42,202
Share issuance costs	11(b)	-	(35,712)	-	-	-	-	-	(35,712)
Conversion feature on note payable	16	-	-	-	-	211,141	-	-	211,141
Net loss and comprehensive loss		-	-	-	-	-	-	(1,218,481)	(1,218,481)
Balance at September 30, 2011		**107,124,119**	**$ 27,622,010**	**$ 695,426**	**$ 344,581**	**$ 211,141**	**$ -**	**$ (10,513,431)**	**$ 18,359,727**

See accompanying notes to the condensed interim consolidated financial statements.

Border Petroleum Corp.
Condensed Interim Consolidated Statements of Cash Flows

(amounts in Canadian dollars)

(unaudited)

		Three months ended September30,		Six months ended September 30,	
	Notes	2011	2010	2011	2010
Cash and cash equivalents provided by (used in):					
Loss for the period		$ (772,233)	$ (220,749)	$ (1,218,481)	$ (458,873)
Adjustments for:					
Depletion and depreciation	8	315,062	75,699	371,968	79,411
Stock-based compensation	12(b)	23,443	7,414	42,202	5,347
Interest on convertible debentures		-	43,580	-	65,035
Interest on note payable	16	27,741	-	51,863	-
Interest on secured debt	15	(34,314)	-	(68,255)	-
Accretion on convertible note payable	16	26,609	26,464	49,748	26,464
Accretion of decommissioning provisions	13	4,046	3,916	6,744	8,542
Deferred income tax expense (recovery)		-	-	(34,415)	-
Operating cash flow before changes in non-cash working capital		(409,646)	(63,676)	(798,626)	(274,074)
Changes in non-cash working capital	6	(143,989)	(73,536)	(352,863)	(251,714)
Net cash used in operating activities		(553,635)	(137,212)	(1,151,489)	(525,788)
Cash flows from investing activities					
Additions to exploration and evaluation assets	7	(30,434)	(14,938)	(253,332)	(38,569)
Additions to property and equipment	8	(994,656)	(395,901)	(4,242,358)	(1,451,800)
Cash acquired in business combination	4	1,922	-	1,922	-
Change in non-cash working capital	6	(938,829)	(197,535)	790,881	427,679
Net cash used in investing activities		(1,961,997)	(608,374)	(3,702,887)	(1,062,690)
Cash flows from financing activities					
Proceeds from bank debt, net of repayments		1,210,000	-	1,210,000	-
Proceeds from convertible debenture		-	-	-	1,729,000
Share issuance costs	11(b)	-	-	(35,712)	-
Change in non-cash working capital	6	3,466	-	33,591	(15,000)
Net cash from financing activities		1,213,466	-	1,207,879	1,714,000
Change in cash and cash equivalents		(1,302,166)	(745,586)	(3,646,497)	125,522
Cash and cash equivalents, beginning of period		1,467,002	850,625	3,811,333	(20,483)
Cash and cash equivalents, end of period		$ 164,836	$ 105,039	$ 164,836	$ 105,039
Cash and cash equivalents is comprised of:					
Bank balances, end of period		$ 164,836	$ 105,039	$ 164,836	$ 105,039
Term deposits, end of period		-	-	-	-
Cash and cash equivalents, end of period		$ 164,836	$ 105,039	$ 164,836	$ 105,039

See accompanying notes to the condensed interim 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 condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 21, 2011.

2. Basis of preparation

(a) Statement of compliance

In conjunction with the Corporation's annual audited financial statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended March 31, 2012, these condensed interim consolidated financial statements present Border's initial financial results of operations and financial position as at and for the three and six months ended September 30, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Corporation prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The preparation of these condensed consolidated interim financial statements resulted in selected changes to Border's accounting policies as compared to those disclosed in the Corporation's annual audited financial statements for the period ended March 31, 2011 issued under Canadian GAAP. A summary of significant changes to Border's accounting policies is disclosed in note 20 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at April 1, 2010, as at and for the three and six months ended September 30, 2010, and as at and for the twelve months ended March 31, 2011.

A summary of Border's significant accounting policies under IFRS is presented in note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in note 20.

The condensed interim consolidated financial statements should be read in conjunction with Border's Canadian GAAP annual audited financial statements for the year ended March 31, 2011.

(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 September 30, 2011, the Corporation had negative working capital of $3,492,941.

(c) Basis of measurement

The 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 valuation of property and equipment

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.

Valuation of exploration and evaluation assets

The valuation of exploration and evaluation assets are 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.

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 issued are based on estimates of the future volatility of the Corporation's share price, estimated market price of the Corporation's shares at grant date, expected lives of the options, 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.

Contingent acquisition costs

The amount accrued for contingent consideration payable under a land acquisition (note 18) 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 2011 and the allocation of the purchase price to the net assets in the acquisitions 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.

3. Significant accounting policies

(a) Business combinations

Business combinations are accounted for using the acquisition method. 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.

(b) Jointly controlled operations and 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 condensed interim consolidated financial statements include the Corporation's share of these jointly controlled assets, the relevant revenue and related costs.

(c) 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 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.

(d) 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 costs 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, cost of undeveloped lands that expire 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 net earnings.

(ii) Property and equipment

All costs directly associated with the development and production 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 net income.

(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 year 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 will be 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% approximating their estimated useful lives.

(e) 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 and 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 cash-generating units ("CGUs"), defined as the lowest levels for which there are separately identifiable independent cash inflows. Exploration and evaluation assets are tested with the producing CGU for which the activity can be attributed or separately where a producing CGU does not exist for the exploration and evaluation activity.

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 used 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.

Am 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 net earnings.

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 asset'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.

(f) 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 or property and equipment asset and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to Financing Expenses with actual expenditures charged against the accumulated obligation. 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 related asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any differences between the recorded provision and the actual costs incurred is recorded as a gain or loss.

(g) 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 reported.

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income 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.

(i) 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.

(j) Revenue

Revenue from the production of oil and natural gas is recognized when title passes from the Corporation to the customer. Revenue represents the Corporation's share and is recorded net of royalty obligations to governments and other mineral interest owners. Transportation costs are reported as a separate expense and are not netted against revenue.

(k) Finance income and expenses

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

Finance expense comprises interest expense on borrowings, accretion of discounts on notes payable, accretion of the discount on 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 in the period in which they are incurred using the effective interest method.

(l) Stock-based compensation

The Corporation has a Stock Option Plan as described in note 12 and stock options 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.

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.

(m) Earnings (loss) per share

Earnings (loss) per share is 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 are used to purchase common shares at average market prices.

(n) 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 and investment in secured debt as "loans and receivables" and bank debt, accounts payable and accrued liabilities and notes 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.

(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 and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares 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.

(o) Recent accounting pronouncements

Financial Instruments

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

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

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

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

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

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

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

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

The IASB also issued "Presentation of Items of Other Comprehensive Income", an amendment to IAS 1 "Financial Statement Presentation". The amendment addresses the presentation of other comprehensive income and requires the grouping of items within other comprehensive income that might eventually be reclassified to the profit and loss section of the income statement. The change becomes effective for financial years after July 1, 2012 with earlier adoption permitted.

The Corporation has not completed its evaluation of the impact of adopting these standards 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 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 are subject to a voluntary hold period of four months from the date of closing of the Transaction. As part of the acquisition of Canflame, 6,062,446 Border common shares have been placed into escrow, and will be released only upon the resolution of a pre-existing legal action of which Canflame has been named as the defendant (see note 18). If there is any loss suffered as a result of the legal actions, one Border common share will be cancelled and returned to treasury for each $0.30 of loss. These Border common shares are contingently issuable based on the outcome of the legal actions and management has determined that the likelihood of any loss occurring as being remote.

Transaction costs of $151,804 related to this transaction have been charged to income during the six-month period ended September 30, 2011.

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

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

At September 30, 2011 the Corporation does not have any financial derivatives, including commodity contracts.

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 is 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 venture partners and the risk of financial loss if a customer, partner, or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. To mitigate credit risk associated with the sale of its production to oil and gas marketers, the Corporation maintains marketing relationships with large credit-worthy purchasers. The Corporation historically has not experienced any collection issues with its oil and natural gas marketers. Joint venture receivables are typically collected within one to three-months of the joint venture bill being issued to the partner. The Corporation attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Corporation does not typically obtain collateral from joint venture partners; however, in certain circumstances, it may cash-call a partner in advance of the work and as well the Corporation has the ability in most cases to withhold production from joint venture partners in the event of non-payment.

As at September 30, 2011 and March 31, 2011, the Corporation's accounts receivable were comprised of the following:

	September 30, 2011	March 31, 2011
Oil and natural gas sales	*$ 608,078*	*$ 217,045*
Joint interest partners and other	*400,471*	*34,006*
GST	*51,183*	*110,363*
	1,059,732	*361,414*
Less: allowance for doubtful accounts	*-*	*-*
	$ 1,059,732	*$ 361,414*

The Corporation establishes an allowance for doubtful accounts as determined by management based on their assessed collectability; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. The Corporation believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business. There were no receivables allowed for or written off during the period ended September 30, 2011 and there is $145,048 in accounts receivable outstanding greater than 90 days at September 30, 2011, which the Corporation would consider past due under normal conditions.

Cash and cash equivalent balances consist of amounts on deposit with banks. The Corporation manages the credit exposure of cash by selecting financial institutions with high credit ratings. Total credit risk at September 30, 2011 is comprised of $1,059,732 in accounts receivable, $173,073 in lease reclamation deposits, $644,364 in investment in secured debt and $164,836 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 September 30, 2011 and March 31, 2011 are comprised of the following:

	September 30, 2011	March 31, 2011
Trade	$ 1,750,225	$ 586,301
Royalties	203	9,059
Capital	981,392	203,076
Joint venture	2,492	15,313
	$ 2,734,312	$ 813,749

(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 September 30, 2011, 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 price risk to the extent that the note payable and investment in secured debt both bear interest at a fixed rate and interest rate cash flow risk to the extent that bank debt bears interest at a floating rate. The Corporation had no interest rate swaps or financial contracts in place as at or during the periods ended September 30, 2011 or March 31, 2011.

For the three and six months ended September 30, 2011, a 1% change in the effective interest rate of the Corporation's bank loan would have an impact of $6,700 and $13,300, respectively, on net loss.

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.

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. As at or during the period ended September 30, 2011, the Corporation has not entered into financial derivative sales contracts.

(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 and debt instruments (if any) are the components of the Corporation's capital structure to be managed. The most significant alternatives available for the management of the capital structure include adjusting capital spending to manage projected debt levels or to issue common shares or debentures when management and the Board of Directors feel the timing is appropriate. Management continually monitors the Corporation's projected capital spending and its net debt to maintain a sound capital position.

Working capital is determined on the following basis:

	September 30, 2011	March 31, 2011
Cash and cash equivalents	$ 164,836	$ 3,811,333
Accounts receivable and prepaid expenses	1,102,171	374,960
Bank debt	(2,670,000)	-
Accounts payable and accrued liabilities	(2,734,312)	(813,749)
Investment in secured debt	$644,364	-
Working capital (deficiency)	$ (3,492,941)	$ 3,372,544

6. *Supplemental cash flows information*

Changes in non-cash working capital is comprised of:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Six months ended September 30, 2011	Six months ended September 30, 2010
Source/(use) of cash:				
Accounts receivable	$ (221,738)	$ (46,280)	$ (287,233)	$ (74,065)
Prepaid expenses and deposits	8,289	50	(28,893)	(9,307)
Accounts payable and accrued liabilities	(865,903)	(224,841)	787,735	244,337
	$ (1,079,352)	$ (271,071)	$ 471,609	$ 160,965
Related to operating activities	$ (143,989)	$ (73,536)	$ (352,863)	$ (251,714)
Related to investing activities	(938,829)	(197,535)	790,881	427,679
Related to financing activities	3,466	-	33,591	(15,000)
Changes in non-cash working capital	$ (1,079,352)	$ (271,071)	$ 471,609	$ 160,965

7. *Exploration and evaluation assets*

Balance at April 1, 2010	$ 1,004,064
Additions	181,387
Balance at March 31, 2011	1,185,451
Acquired from business combination (note 4)	126,753
Additions	253,332
Transfers to property and equipment (note 8)	(26,435)
Balance at September 30, 2011	$ 1,539,101

At September 30, 2011, $938,012 of exploration and evaluation consists of assets located in Montana, USA.

8. *Property and equipment*

	Oil and natural gas interests	Corporate and other	Total
Cost			
Balance at April 1, 2010	$ 29,615	$ -	$ 29,615
Acquisition of property and equipment	-	-	-
Additions	2,988,022	31,174	3,019,196
Decommissioning provisions	194,244	-	194,244
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	3,240,562	2,146	3,242,708
Transfers from exploration and evaluation assets (note 7)	26,435	-	26,435
Decommissioning provisions	125,301	-	125,301
Balance at September 30, 2011	$ 23,912,693	$ 51,225	$ 23,963,918
Accumulated depletion and depreciation			
Balance at April 1, 2010	$ -	$ -	$ -
Depletion and depreciation for the period	248,708	5,156	253,864
Balance at March 31, 2011	248,708	5,156	253,864
Depletion and depreciation for the period	367,214	4,754	371,968
Balance at September 30, 2011	$ 615,922	$ 9,910	$ 625,832
Net book value:			
At April 1, 2010	$ 29,615	$ -	$ 29,615
At March 31, 2011	$ 2,963,173	$ 26,018	$ 2,989,191
At September 30, 2011	$ 23,296,771	$ 41,315	$ 23,338,086

During the period ended September 30, 2011, $45,775,000 of future development costs related to proved and probable reserves were included in costs subject to depletion.

9. Bank debt

The Corporation has bank debt outstanding under a demand revolving operating loan in the amount of $2,670,000 at September 30, 2011 (March 31, 2011 - $Nil). This facility provides that advances be made by way of prime-based loans and letters of credit to an aggregate maximum of $3,500,000. The facility bears interest of prime plus 1.25% per annum on prime-based loans and 2.00% per annum plus a minimum fee of $200 for letters of credit. There is also a non-refundable facility fee calculated at a rate of 0.25% per annum, payable monthly, calculated on the unused portion of the authorized amount of this facility.

The credit facility is secured by a general security agreement and a guarantee of a subsidiary corporation that was formed to complete the 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.

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

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 $1,869,458 at September 30, 2011 (March 31, 2011 - $ 509,971), which has been discounted using risk-free rates ranging from 0.88% to 2.77% at September 30, 2011 (March 31, 2011 – 1.73% to 2.90%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 14 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 six months ended September 30, 2011, and the year ended March 31, 2011:

	September 30, 2011	**March 31, 2011**
Decommissioning provisions, beginning of period	*$ 487,834*	*$ 292,541*
Liabilities assumed on acquisition (note 4)	*1,108,949*	*-*
Liabilities incurred	*128,152*	*188,779*
Accretion (unwinding of discount)	*9,882*	*6,514*
Decommissioning provisions, end of period	*$ 1,734,817*	*$ 487,834*

11. Share capital

(a) Authorized

Unlimited number of voting common shares

(b) Issued

As at September 30, 2011 and March 31, 2011, the Corporation had 107,124,119 and 70,586,293 common shares issued and outstanding with a stated value of $27,622,010 and $15,965,618, respectively. During the six-month period ended September 30, 2011, the Corporation issued a total of 36,537,826 common shares at a stated value of $11,692,104 pursuant to the acquisition of Canflame (see note 4) and recorded additional share issuance costs of $35,712 related to previously issued common shares.

(c) Warrants

As at September 30, 2011 and March 31, 2011, the Corporation has 14,427,500 share purchase warrants outstanding with a stated value of $695,426.

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 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.

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

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

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

The following table summarizes the expiry terms of the Corporation's outstanding stock options as at September 30, 2011:

Date of grant	Outstanding Options	Weighted Average Remaining Contractual life (years)	Number of Stock Options Exercisable
November 23, 2009	598,750	3.4	449,063
November 3, 2010	850,000	4.3	283,333
February 2, 2010	1,000,000	4.6	500,000
March 1, 2011	200,000	4.7	100,000
	2,648,750	-	1,332,396

(b) Stock-based compensation expense

Compensation costs of $42,202 for the six months ended September 30, 2011 (2010 - $5,347) have been expensed and have resulted in a corresponding increase in contributed surplus.

There were no stock options granted during the six months ended September 30, 2011.

13. *Finance income and expense*

	Three months ended September 30, 2011	Three months ended September 30, 2010	Six months ended September 30, 2011	Six months ended September 30, 2010
Finance income				
Interest income	$ 34,329	$ -	$ 68,419	$ -
	34,329	-	68,419	-
Finance expenses				
Interest expense on convertible debentures	-	43,579	-	65,035
Interest expense on note payable	27,741	-	51,863	-
Interest expense on bank debt	3,677	-	3,677	-
Accretion on convertible note payable	26,609	26,464	49,748	26,464
Accretion of decommissioning provisions	4,046	3,916	6,744	8,542
	62,073	73,959	112,032	100,041
Net finance expense recognized in the statement of loss	$ (27,744)	$ (73,959)	$ (43,613)	$ (100,041)

14. *Earnings (loss) per share*

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

Weighted Average Common Shares Outstanding	**Three months ended September 30, 2011**	**Three months ended September 30, 2010**	**Six months ended September 30, 2011**	**Six months ended September 30, 2010**
Basic and diluted	102,305,944	18,616,068	86,446,119	18,616,068

The weighted average common shares for the period ended September 30, 2010 have been retrospectively adjusted for the 4:1 share consolidation.

The calculation of diluted loss per share for the period ended September 30, 2011 does not include 2,648,750 (period ended September 30, 2010 – 1,073,750 post-consolidation) stock options with a weighted average exercise price of $0.25 (period ended September 30, 2010 – $0.40 post-consolidation), and 14,427,500 (period ended September 30, 2010 – 2,062,500 post-consolidation) warrants with a weighted average exercise price of $0.33 (period ended September 30, 2010 – $0.40 post-consolidation) as inclusion of these items would be anti-dilutive.

15. Investment in secured debt

During the year ended March 31, 2011, the Corporation purchased secured debt from an arm's length party (note 17). 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 during the period ended September 30, 2011 was $68,255 (March 31, 2011 - $26,109). 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.

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 six-month period ended September 30, 2011, the Corporation recorded accretion on convertible note payable of $49,748 and interest expense accrued on the face value of the note payable of $51,863.

17. Related party transactions

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

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

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

18. Commitment and contingencies

(a) Flow-through share commitment

Pursuant to the Corporation's flow-through financing in December 2010, the Corporation is required to spend $1,110,700 on oil and natural gas development and/or exploration by December 31, 2011. The Corporation fulfilled its $1,110,700 flow-through share spending commitment during the quarter ended June 30, 2011.

(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. Total cash payments of $47,210 have been paid and an additional $65,225 has been accrued during the period ended September 30, 2011 (year ended March 31, 2011 - $101,996 and $NIL, respectively) based on management's estimate of the amount that will ultimately be paid under the Termination Agreement.

(c) Legal matters

Canflame 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 September 30, 2011 (see note 4).

19. Subsequent events

(a) Joint venture with Loon River Cree Nation

On October 25, 2011, the Corporation announced that, with respect to its new joint venture with the Loon River Cree Nation (the "Nation") previously announced on May 5, 2011, the Nation had authorized Indian Oil and Gas Canada ("IOGC"), pursuant to a fully executed band council resolution, to issue Border an IOGC permit covering an expanded 27 sections (6,912 hectares) of Slave Point rights in the Red Earth area of northern Alberta (the "Permit") providing the following:

(i) a 5-year permit term during which Border has the right to earn the entire 27 section block by drilling 6 horizontal test wells into the Slave Point formation (the "Test Wells") on a rolling option basis, with a minimum of two Test Wells in the first year and one Test Well in each year thereafter, and payment of a Permit bonus of approximately $3.9 million;

(ii) for each Test Well drilled, Border earns the right to a 4.5 section (1,152 hectare) lease (the "Lease") for a term of 5 years to the base of the deepest formation penetrated and a royalty rate equivalent to Alberta crown incorporating the Horizontal Oil New Well Royalty Rate with a 10% minimum and no gross overriding royalty payable; and

(iii) Border will pay 100% of all costs related to each Test Well and Lease for a 100% before and 100% after payout working interest in both the Test Well and the lands under the 4.5 section Lease with no carried working interest provision.

(b) Bought deal financing

Subsequent to September 30, 2011, the Corporation announced 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 will be paid a cash commission of 6% of the gross proceeds of the offering and will be granted broker warrants entitling the Underwriters to purchase 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 Underwriters have also been granted an Over-Allotment Option to purchase up to 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 shall be issued on the same terms and conditions as the offering, exercisable at any time, in whole or in part for a period of 30 days following closing of the offering.

The offering is expected to close on or about November 30, 2011.

(c) Office lease

On November 8, 2011, the Corporation entered into an agreement for rental of office premises commencing January 1, 2012 until November 29, 2014. Annual rental payments, exclusive of operating costs are $102,360.

20. Transition to IFRS

As disclosed in note 2, these interim condensed consolidated financial statements represent the Corporation's initial presentation of the financial results of operations and financial position under IFRS for the period ended September 30, 2011 in conjunction with the Corporation's annual audited consolidated financial statements to be issued under IFRS as at and for the year ended March 31, 2012. As a result, these interim condensed consolidated financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously, the Corporation prepared its interim and annual financial statements in accordance with Canadian GAAP.

IFRS 1 requires the presentation of comparative information as at the April 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

The following reconciliations present the adjustments made to the Corporation's previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Corporation's condensed consolidated balance sheets as at April 1, 2010, September 30, 2010 and March 31, 2011, condensed consolidated statements of loss and comprehensive loss for the three and six months ended September 30, 2010 and for the twelve months ended March 31, 2011 and shareholders' equity reconciliations as at April 1, 2010, September 30, 2010 and March 31, 2011.

Reconciliation of balance sheet as at April 1, 2010 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ -	$ -	$ -
Accounts receivable		124,315	-	124,315
Deposits and prepaid expenses		12,819	-	12,819
Total current assets		137,134	-	137,134
Investment in secured debt		-	-	-
Lease reclamation deposits		67,105	-	67,105
Exploration and evaluation assets	20(a)(i)	-	1,004,064	1,004,064
Property and equipment	20(a)(i)	1,033,679	(1,004,064)	29,615
Total assets		$ 1,237,918	$ -	$ 1,237,918
LIABILITIES AND EQUITY				
Current liabilities				
Bank debt		$ 20,483	$ -	$ 20,483
Accounts payable and accrued liabilities		567,150	-	567,150
Flow-through share premium		-	-	-
Total current liabilities		587,633	-	587,633
Decommissioning provisions	20(a)(i)	246,114	46,427	292,541
Total liabilities		833,747	46,427	880,174
Shareholders' Equity				
Share capital		8,188,840	-	8,188,840
Warrants		-	-	-
Contributed surplus		162,366	-	162,366
Deficit		(7,947,035)	(46,427)	(7,993,462)
		404,171	(46,427)	357,744
		$ 1,237,918	$ -	$ 1,237,918

Reconciliation of balance sheet as at September 30, 2010 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 105,039	$ -	$ 105,039
Accounts receivable		198,380	-	198,380
Deposits and prepaid expenses		22,126	-	22,126
Total current assets		325,545	-	325,545
Lease reclamation deposits		67,304		67,304
Exploration and evaluation assets	20(b)(i)	-	1,042,633	1,042,633
Property and equipment	20(b)(i), (iii) and (iv)	2,508,880	(1,101,414)	1,407,466
Total assets		$ 2,901,729	$ (58,781)	$ 2,842,948
LIABILITIES AND EQUITY				
Current liabilities				
Bank debt		$ -	$ -	$ -
Accounts payable and accrued liabilities		811,487	-	811,487
Flow-through share premium		-	-	-
Total current liabilities		811,487	-	811,487
Convertible debenture		1,714,642	-	1,714,642
Decommissioning provisions	20(b)(iii)	258,045	48,699	306,744
Total liabilities		2,784,174	48,699	2,832,873
Shareholders' Equity				
Share capital		8,188,840	-	8,188,840
Warrants		-	-	-
Contributed surplus		167,713	-	167,713
Convertible debt conversion feature		105,857	-	105,857
Deficit		(8,344,855)	(107,480)	(8,452,335)
		117,555	(107,480)	10,075
		$ 2,901,729	$ (58,781)	$ 2,842,948

Reconciliation of balance sheet as at March 31, 2011 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 3,811,333	$ -	$ 3,811,333
Accounts receivable		361,414	-	361,414
Deposits and prepaid expenses		13,546	-	13,546
Total current assets		4,186,293	-	4,186,293
Investment in secured debt		576,109	-	576,109
Lease reclamation deposits		67,427	-	67,427
Exploration and evaluation assets	20(b)(i)	-	1,185,451	1,185,451
Property and equipment	20(b)(i), (iii) and (iv)	3,724,897	(735,706)	2,989,191
Total assets		$ 8,554,726	$ 449,745	$ 9,004,471
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 813,749	$ -	$ 813,749
Flow-through share premium	20(b)(v)	-	34,415	34,415
Total current liabilities		813,749	34,415	848,164
Decommissioning provisions	20(b)(iii)	446,448	41,386	487,834
Total liabilities		1,260,197	75,801	1,335,998
Shareholders' Equity				
Share capital	20(b)(v)	15,910,083	55,535	15,965,618
Warrants		695,426	-	695,426
Contributed surplus		302,379	-	302,379
Retained earnings (deficit)		(9,613,359)	318,409	(9,294,950)
		7,294,529	373,944	7,668,473
		$ 8,554,726	$ 449,745	$ 9,004,471

Reconciliation of statement of loss and comprehensive loss for the three month period ended September 30, 2010:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Oil and natural gas revenue		$ 220,209	$ -	$ 220,209
Royalties		(37,102)	-	(37,102)
		183,107	-	183,107
Expenses				
Production and operating		109,688	-	109,688
Depletion and depreciation	20(b)(iv)	10,245	65,454	75,699
Accretion	20(b)(iii)	3,879	(3,879)	-
Stock-based compensation		7,414	-	7,414
Interest on convertible debentures	20(b)(viii)	43,580	(43,580)	-
Accretion on convertible debentures		26,464	(26,464)	-
General and administrative		137,096	-	137,096
		338,366	(8,469)	329,897
Net operating loss		(155,259)	(8,469)	(146,790)
Net finance expense	20(b)(iii) and (vii)	-	73,959	73,959
Loss before income tax		(155,259)	65,490	(220,749)
Deferred income tax recovery	20(b)(viii)	-	-	-
Net loss and comprehensive loss for the period		$ (155,259)	$ 65,490	$ (220,749)
Loss per share				
Basic and diluted		$ (0.01)	$ -	$ (0.01)

Reconciliation of statement of loss and comprehensive loss for the six month period ended September 30, 2010:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Oil and natural gas revenue		$ 401,312	$ -	$ 401,312
Royalties		(54,541)	-	(54,541)
		346,771	-	346,771
Expenses				
Production and operating		272,998	-	272,998
Depletion and depreciation	20(b)(iv)	14,970	64,441	79,411
Accretion	20(b)(iii)	11,931	(11,931)	-
Stock-based compensation		5,347	-	5,347
Interest on convertible debentures	20(b)(viii)	65,035	(65,035)	-
Accretion on convertible debentures		26,464	(26,464)	-
General and administrative		347,847	-	347,847
		744,592	(38,989)	705,603
Net operating loss		(397,821)	(38,989)	(358,832)
Net finance expense	20(b)(iii) and (vii)	-	100,041	100,041
Loss before income tax		(397,821)	(61,052)	(458,873)
Deferred income tax recovery	20(b)(viii)	-	-	-
Net loss and comprehensive loss for the period		$ (397,821)	$ (61,052)	$ (458,873)
Loss per share				
Basic and diluted		$ (0.02)	$ -	$ (0.02)

Reconciliation of statement of loss and comprehensive loss for the year ended March 31, 2011:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Oil and natural gas revenue		$ 858,750	$ -	$ 858,750
Royalties		(112,016)	-	(112,016)
Interest income	20(b)(vii)	26,432	(26,432)	-
		773,166	(26,432)	746,734
Expenses				
Production and operating		792,967	-	792,967
General and administrative		843,574	-	843,574
Stock-based compensation		140,013	-	140,013
Depletion and depreciation	20(b)(iv)	689,698	(435,834)	253,864
Accretion – decommissioning liabilities	20(b)(iii)	20,000	(20,000)	-
Accretion on convertible debentures	20(b)(vii)	50,308	(50,308)	-
Loss on conversion of convertible debentures	20(b)(vii)	55,549	(55,549)	-
Interest on convertible debentures	20(b)(vii)	125,056	(125,056)	-
		2,717,165	(686,747)	2,030,418
		(1,943,999)	660,315	(1,283,684)
Net finance expense	20(b)(iii) and (vii)	-	(205,529)	(205,529)
Loss before income tax		(1,943,999)	454,786	(1,489,213)
Deferred tax expense (recovery)	20(b)(v) and (viii)	(277,675)	89,950	(187,725)
Net loss and comprehensive loss for the year		$(1,666,324)	$ 364,836	$(1,301,488)
Loss per share - basic and diluted		$ (0.06)		$ (0.05)

Reconciliation of shareholders' equity as at April 1, 2010, September 30, 2010 and March 31, 2011 from Canadian GAAP to IFRS:

	Notes	April 1, 2010	September 30, 2010	March 31, 2011
Total shareholders' equity under Canadian GAAP		$ 404,171	$ 117,555	$ 7,294,529
Depletion effect on property and equipment adjustments	20(b)(iv)	-	(64,441)	435,834
Decrease due to effect of changes in decommissioning provisions	20(a)(i)	(46,427)	(46,427)	(46,427)
Accretion effect on decommissioning provisions adjustments	20(b)(iii)	-	3,388	18,952
Flow-through shares	20(b)(v)	-	-	55,535
		(46,427)	(107,480)	463,894
Deferred income tax adjustments	20(b)(viii)	-	-	(89,950)
Total adjustments to shareholders' equity		$ (46,427)	$ (107,480)	$ 373,944
Total shareholders' equity under IFRS		$ 357,744	$ 10,075	$ 7,668,473

(a) First-time adoption exemptions and exceptions applied

The following optional exemption and required exception were applied by the Corporation:

(i) Deemed cost exemption

Under Canadian GAAP, the Corporation has historically accounted for exploration and development costs of oil and natural gas properties in a single Canada wide full cost accounting pool. Under IFRS, exploration expenditures are reclassified as exploration and evaluation assets. IFRS 1 contains an exemption that allowed the Corporation to measure oil and natural gas assets at the date of transition as follows:

i. exploration and evaluation assets are reclassified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Canadian GAAP; and

ii. the remaining full cost pool is allocated to the development and production assets and components pro rata using reserve values or reserve volumes.

The reclassification of exploration and evaluation assets resulted in a $1,004,064 increase in exploration and evaluation assets with a corresponding decrease in property and equipment at April 1, 2010. The remaining full cost pool was allocated on the basis of total proved plus probable reserve values and April 1, 2010 forecast pricing discounted at 10%.

Decommissioning provisions, disclosed as asset retirement obligations under Canadian GAAP, are calculated using a risk free discount rate under IFRS, resulting in an increase of $46,427 to decommissioning provisions at April 1, 2010, which was recognized directly in opening equity, net of tax.

There was no impairment of exploration and evaluation assets and property and equipment on transition to IFRS.

(b) Changes in accounting policies

In addition to the exemption and exception discussed above, the following narratives explain the significant differences between the previous Canadian GAAP and the current IFRS accounting policies applied by the Corporation. Only the differences having an impact on the Corporation are described below. The following is not a complete summary of all of the differences between Canadian GAAP and IFRS. Unless a quantitative impact was noted below, the impact from the change was not material to the Corporation.

(i) Exploration and evaluation assets

Under IFRS, exploration and evaluation costs are recognized as exploration and evaluation assets. The Corporation followed full cost accounting under Canadian GAAP and classified all exploration and evaluation costs as oil and natural gas property and equipment. The effect of this change results in a reclassification of exploration and evaluation costs from oil and natural gas property and equipment to exploration and evaluation assets. As well, pre-license seismic and other costs incurred are expensed directly to results of operations. Under Canadian GAAP, such pre-license and seismic costs were capitalized as part of oil and natural gas property and equipment.

Exploration and evaluation assets increased and property and equipment decreased by $1,042,633 at September 30, 2010 and $1,185,451 at March 31, 2011.

(ii) Impairment

Under Canadian GAAP, impairment was measured by comparing the carrying amounts of property and equipment to the estimated net present value of future cash flows from proved plus probable reserves and the cost less impairment of unproved properties. Under IFRS, the aggregate carrying value is compared against the expected recoverable amount of each cash-generating unit, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. If the carrying value of a cash-generating unit exceeds its recoverable amount, then an impairment loss shall be recognized. Additionally, an impairment loss from a prior period may be reversed in a subsequent period if impairment no longer exists or has decreased. No impairment losses were required under any of the comparative periods presented under IFRS.

(iii) Decommissioning provisions

Under Canadian GAAP, asset retirement obligations were measured at fair value, incorporating market assumptions and discount rates based on the Corporation's credit-adjusted risk-free rate. Adjustments were made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone did not result in a re-measurement of the provision. Under Canadian GAAP, changes in estimates related to asset retirement obligations discriminated changes in estimates that increased the liability and those that decreased it. Upward revisions in the estimates of undiscounted cash flows were required to be discounted using the current credit adjusted risk-free rate and downward revisions in the estimated cash flows were required to be discounted using the credit adjusted risk-free rate employed when the original liability was recognized.

Under IFRS, future cash outflows are estimated as they arise and are discounted at the current appropriate discount rate. Both the cash flows to settle the obligation and the discount rate are considered at each reporting period and adjusted to the appropriate estimate at that point in time. Under IFRS, the estimated cash flow to abandon and remediate the wells and facilities is risk adjusted therefore the provision is discounted at a risk-free rate. In addition, under Canadian GAAP, accretion of the discount was included in depletion and depreciation. Under IFRS, it is included in finance expenses.

Upon application of IFRS, decommissioning provisions increased by $48,699 and accretion expense decreased by $3,388 during the six months ended September 30, 2010. Decommissioning provisions increased by $41,386 and accretion expense decreased by $18,952 during the year ended March 31, 2011.

(iv) Depletion policy

Upon transition to IFRS, the Corporation adopted a policy of depleting oil and natural gas interests on a unit of production basis over proved plus probable reserves. The depletion policy under Canadian GAAP was based on units of production over proved reserves. In addition, depletion was done on the Canadian cost centre under Canadian GAAP. IFRS requires depletion and depreciation to be calculated based on individual components (i.e. fields or combinations thereof). The use of total proved plus probable reserve base for calculating depletion resulted in a decrease to depletion expense of $435,834 for the year ended March 31, 2011, and an increase to depletion expense of $65,454 and $64,441 for the three and six months ended September 30, 2010, respectively.

(v) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which are the subject of specific guidance under Canadian GAAP. There is no equivalent IFRS guidance. Therefore, the Corporation has adopted a policy whereby the premium paid for flow-through shares in excess of the estimated market value of the Corporation's shares without the flow-through feature, at the time of issue, is credited to other liabilities ("flow-through share premium") and is included in income at the time the qualifying expenditures are made. Under Canadian GAAP, the gross proceeds received on flow-through share issuances are initially recorded as share capital. When the expenditures are incurred and the tax deductions are renounced to subscribers, the Corporation has adopted an IFRS policy that the deferred tax liability is recorded through a charge to income tax expense less the reversal of the flow-through share premium previously reported. Under Canadian GAAP, the carrying value of the shares issued was reduced, and the future income tax liability of the Corporation was increased, by the estimated value of the renounced income tax deductions when the related flow through expenditures were renounced to the subscribers and the prescribed forms were filed with the Canada Revenue Agency.

As a result, the Corporation recorded $222,140 as a flow-through share premium as at March 31, 2011 and $nil as at September 30, 2010 and April 1, 2010 with a corresponding decrease to share capital, reduced at March 31, 2011 by $187,725 for effect of qualifying expenditures to date. The tax effect of flow through shares of $277,675 originally recorded under Canadian GAAP has also been reversed.

(vi) Statement of cash flows for previous periods

The transition from former Canadian GAAP to IFRS had no material effect upon the reported cash flows generated by the Corporation.

(vii) Net finance expense

Under IFRS, all amounts related to interest earned and/or paid has been reclassified to net finance expense on the statement of loss and comprehensive loss.

(viii) Income tax

Any changes to income tax reporting is predominantly caused by changes in the carrying value of assets, not due to the change in income tax accounting methodology, with the exception of flow-through shares. IFRS requires that all deferred taxes be disclosed as non-current assets or liabilities and designated as deferred taxes. As the Corporation is not recognizing deferred tax assets in excess of deferred tax liabilities for all periods shown, the only adjustment to deferred tax expense (recovery) relates to the reversal of the flow-through share premium liability (20(b)(v)).