PETRO KAMCHATKA

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following management’s discussion and analysis (“MD&A”) for PetroKamchatka Plc (“PetroKamchatka”, “the Corporation”, “us” or “we”), prepared as at April 23, 2010, provides a review of the Corporation’s financial results for the three and nine months ended February 28, 2010. The MD&A should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of the Corporation for the three and nine months ended February 28, 2010 and the audited consolidated financial statements of PetroKamchatka Resources Plc (“PKR”) for the year ended May 31, 2009. The unaudited consolidated financial statements, and extracts of those financial statements provided within this MD&A, are presented in United States dollars and are prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The financial statements referred to above and other information with respect to the Corporation is available on PetroKamchatka’s website (www.petrokamchatka.com) and in public filings available through SEDAR (www.sedar.com).

CORPORATE OVERVIEW

PetroKamchatka is an international junior oil exploration company incorporated in Jersey with core properties located in the Kamchatka Peninsula of the Russian Federation. The Corporation's strategy for achieving growth is to source and operate onshore exploration projects having the potential for large, low-cost reserves. PetroKamchatka, indirectly through its joint interest companies, has secured seven onshore exploration licences representing an aggregate 3,281,755 net hectares, a very significant land position in this potentially prolific hydrocarbon basin. KNOC Kamchatka Petroleum Limited (“KKPL”), a company owned 55% by Korea National Oil Corporation, and the Koryakia Property Fund, an investment agency of the Koryakia Okrug Administration, Kamchatka, have 50% and 5% indirect net interests, respectively, in the Tigil and Icha Blocks in Kamchatka. PetroKamchatka indirectly holds a 100% interest in four of the remaining exploration licences and 90% of the Urginskaya licence.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements"). In particular, this MD&A contains forward-looking statements pertaining to the following:

- Business strategies;
- Drilling plans, including in particular the timing of drilling of PetroKamchatka's second well on the Tigil Block;
- Results from PetroKamchatka’s first well;
- Exploration and development plans;
- Ability to secure adequate financing;
- Use of proceeds from recent financings;
- Dealings with the Highkelly drilling rig; and

- Other expectations, beliefs, plans, goals, objectives, assumptions or statements about future events or performance.

The preparation of financial statements in accordance with Canadian GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These judgments and estimates may change, having either a negative or positive effect as further information becomes available, and as the economic environment changes.

Forward-looking statements are based on PetroKamchatka's current beliefs as well as assumptions made by, and information currently available to, PetroKamchatka concerning business prospects, strategies, regulatory developments, the ability to obtain equipment in a timely manner to carry out development activities, and the ability to obtain financing on acceptable terms. Although management considers these assumptions to be reasonable based on information currently available to it, it may prove to be incorrect.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to PetroKamchatka and its shareholders. These factors include, but are not limited to risks associated with oil and natural gas exploration, financial risks, the history of losses, substantial capital requirements, political and government risks, government regulation, limitations on foreign investments in Russia, environmental risks, prices, dependence on key personnel, availability of drilling equipment and access to Kamchatka, risks that may not be insurable, licenses, resource estimates, and variations in exchange rates. Readers are cautioned the foregoing list of factors that may affect future results is not exhaustive.

THIRD QUARTER HIGHLIGHTS

During the three months ended February 28, 2010, the principal activities of the Corporation were:

The Corporation became a reporting issuer in Canada in the provinces of Alberta, British Columbia and Ontario and its common shares began trading on the TSX Venture Exchange (“TSXV”) on December 11, 2009 under the symbol "PKP".

PetroKamchatka completed drilling of its first exploration well, Oyarskaya 1P on the Tigil Block in Kamchatka, Russia, to a total depth of 3,236 meters in January 2010. The initial evaluation indicates that the well did not reach the target tertiary reservoir sandstones as the overlying formations appear much thicker than predicted. The Oyarskaya 1P well has been suspended pending further evaluation. Well logging was completed. No drill-stem or production tests were conducted at this time. The first Tigil well was drilled using the joint venture-owned mobile drilling rig. The well was drilled on schedule and with no major operational problems. Post well analysis of geologic data should enhance future drilling performance.

PetroKamchatka is continuing to evaluate the technical information obtained at the Oyarskaya 1P well, which was suspended in January 2010. Preliminary biostratigraphic studies indicate that the primary target sands were not reached in the original wellbore. The preliminary interpretation of the vertical seismic profile indicates a possible deeper basement reflector at a depth within the drilling capacity of our rig. Additional geological formation evaluation studies are underway and these studies, plus the results of the Chernorechenskaya well, will provide key input to any future decision to potentially re-enter the well and drill to the deep target at Oyarskaya.

The Corporation moved the mobile drilling rig and related equipment and camps over approximately twenty kilometers of winter roads to the next exploration prospect, the Chernorenchenskaya location, also on the Tigil block. The Chernorenchenskaya well spudded on April 15, 2010. The well is expected to be drilled to a total depth of approximately 3,300 meters. Drilling the second well is expected to satisfy the Corporation’s drilling commitment on the Tigil license.

On March 15, 2010, PetroKamchatka received support from more than 75% investor warrant holders, whereby the existing term of 13,350,808 warrants was amended. The warrants will now expire on December 10, 2011, two years after the Corporation's listing on the TSX Venture Exchange (the "TSX-V"). This makes the term of these legacy warrants, issued between August 2005 and February 2006, compliant with the rules of the TSX-V. All other terms and conditions of these warrants remain unchanged, including exercise prices of £0.525 for 5,760,809 warrants and C$1.25 for 7,589,999 warrants.

On April 20, 2010, the Corporation issued 565,469 common shares at CAD $0.115 per share to directors for services provided from October 1, 2009 to March 31, 2010 which represents one-half of the remuneration owed to these individuals for this period.

SELECTED FINANCIAL INFORMATION

The unaudited financial information for PetroKamchatka includes the Corporation and its subsidiaries as well as its proportionate share of the accounts of its joint interest corporations.

The Corporation followed the continuity of interest basis of accounting whereby the Corporation is considered a continuation of PKR, which was acquired by the Corporation on November 23, 2009 pursuant to a takeover offer. All financial information provided is stated in United States dollars, unless otherwise stated.

For the three months ended	**February 28, 2010**	**February 28, 2009**
Interest income	$ 64	$ 984
Expenses	993,747	1,171,193
Net loss	993,683	1,170,209
Net loss per share – basic and diluted	0.00	0.01
Cash provided by operations	43,992	326,121
Cash (used in) investing	(3,347,284)	(953,177)
Cash (used in) provided by financing	(228,795)	148,150
For the nine months ended	**February 28, 2010**	**February 28, 2009**
Interest income	$ 19,361	$ 36,232
Expenses	6,387,861	4,158,181
Net loss	6,368,500	4,121,949
Net loss per share – basic and diluted	0.02	0.03
Cash (used in) operations	(3,749,721)	(2,744,491)
Cash (used in) investing	(6,555,210)	(19,774,258)
Cash provided by financing	19,417,210	18,474,146
As at	**February 28, 2010**	**May 31, 2009**
Total assets	$ 71,668,552	$ 57,627,689
Total liabilities	$ 4,904,833	$ 6,957,104
Shareholders' equity	$ 66,763,719	$ 50,670,585
Number of common shares outstanding	488,498,041	158,119,627
Number of warrants outstanding	21,070,122	19,516,940
Number of options outstanding	21,325,000	6,225,000

RESULTS OF OPERATIONS

General and Administrative Expenses

		For the three months ended				For the nine months ended		
		February 28, 2010		February 28, 2009		February 28, 2010		February 28, 2009
Payroll and personnel	$	243,486	$	185,062	$	1,176,699	$	610,890
Professional fees		140,611		295,280		910,657		1,026,646
Office and administrative		118,541		36,179		571,852		289,475
Directors expenses		108,019		77,380		328,465		329,589
Business taxes		65,689		7,344		155,825		288,321
Travel and business development		24,716		42,309		464,744		205,680
Public company costs		33,009		-		105,933		-
General and administrative expenses	**$**	**734,071**	**$**	**643,554**	**$**	**3,714,175**	**$**	**2,750,601**

General and administrative expenses for the nine month period ended February 28, 2010 increased by $963,574 or 35% over the nine month period ended February 28 2009. For the three month period ended February 28, 2010, general and administrative expenses increased by $90,517 or 14% over the three month period ended February 28, 2009.

Payroll and personnel and professional fees costs include a milestone bonus paid by PetroKamchatka to officers, consultants and employees during the nine months ended February 28, 2010. No bonuses were paid during the nine month period ended February 28, 2009. The total bonus of $1,155,000 was comprised of cash of $278,333 and shares of the Corporation $876,667. Of the total amount, $465,000 was recorded as property and equipment as the related employees and contractors receiving such amounts were directly involved in exploration activities. The balance of $690,000 was charged to payroll and personnel expense and consultant expenses. The net increase in these expenses was partially offset by decreases in legal costs, included in professional fees. The decrease for the three month period ended February 28, 2010 over the three month period ended February 28, 2009 in professional fees is primarily due to consultant expenses incurred throughout the period that were recovered from the Corporation’s joint interest partner in the quarter.

Office and administrative expenses increased by $282,377 in the nine month period ended February 28, 2010 and by $82,362 in the three month period ended February 28, 2010 as compared to the same periods of the prior year primarily due to additional office space in Calgary, increased general and administrative costs for staff and consultants and development of a corporate website that was completed in December 2009.

Travel and business development expenses increased by $259,064 in the nine month period ended February 28, 2010 as compared to same period in the prior year. The increase is due to one-time costs related to travel to complete due diligence and stakeholder relations on the commencement of drilling of the Oyarskaya 1P exploratory well in Tigil in October 2009.

Public company costs relate to the Corporation’s listing on the TSXV in December 2009.

Reorganization and Listing Costs

Reorganization and listing costs of $1,173,758 were incurred in the nine month period ended February 28, 2010 ($nil for the nine month period ended February 28, 2009). These costs relate to expenses incurred specifically to complete the reorganization and listing of the Corporation’s common shares on the TSXV and consist primarily of legal fees, advisory costs, transfer agent costs and TSXV listing fees.

Financing and Other Costs

Financing and other costs of $162,846 and $271,486, respectively, for the three and nine month periods ended February 28, 2009 included costs to settle a claim, costs related to preparing to list on AIM, a London small to midcap stock exchange, and accrued estimated interest on Russian value added tax (“VAT”). The AIM costs were written off in 2009 as PetroKamchatka decided not to pursue this listing. The recovery of $432,388 in the three and nine month periods ended February 28, 2010 is as a result of actual Russian VAT interest being less than estimated amounts.

Foreign Exchange (Gain) Loss

The Corporation had foreign exchange gains of $138,066 in the nine month period ended February 28, 2010; a foreign exchange loss of $186,364 in the three months ended February 28, 2010; a foreign exchange loss of $597,623 in the nine month period ended February 28, 2009; and a foreign exchange loss of $199,939 in the three months ended February 28, 2009. The gains in the nine month period ended February 28, 2010 relate primarily to the overall strengthening of the Russian Ruble and its impact on increased cash and cash equivalents held in Russian Rubles from VAT refunds and unexpended cash calls. The loss in the three month period ended February 28, 2009 relates to a weakened Russian Ruble and reduced Russian Ruble cash balances in the period. PetroKamchatka is exposed to foreign currency fluctuations as it holds cash and incurs expenditures for property and equipment in foreign currencies. PetroKamchatka incurs expenditures in Russian rubles and Canadian dollars and is exposed to fluctuations in exchange rates in these currencies relative to the U.S. dollar. There were no exchange rate contracts in place as at, or during the nine month periods ended, February 28, 2010 or 2009.

Depreciation and Amortization

Depreciation for the nine month period ended February 28, 2010 was $493,800 as compared to $38,424 for the nine month period ended February 28, 2009 and consists of depreciation on the drilling rig and related equipment in use in Russia and other equipment. In October 2009, the Corporation began using and depreciating its drilling rig and equipment acquired for drilling on the Tigil block which results in the increase in depreciation and amortization. The drilling rig and equipment depreciation for the three and nine month period ended February 28, 2010 was $277,500 and $462,500, respectively.

Write Down of Property and Equipment

The Corporation determined, during its fiscal year ended May 31, 2009, that a drilling rig purchased jointly with its joint interest partner, KKPL, was not suited for its planned Russian drilling program, and undertook to sell the rig. No firm offers have been received to date. The Corporation obtained a fair market value appraisal of the rig and recorded a write down of $2,482,417 at May 31, 2009. Subsequently, the Corporation received a more current appraisal and recorded a further write down of $982,582 in the nine month period ended February 28, 2010 ($nil in the three month period ended February 28, 2010).

The write down of property and equipment recorded in the first nine months of fiscal 2009 of $75,417 related to Canadian petroleum and natural gas properties located in British Columbia, Canada, which have been written down to a carrying value of nil.

Stock Based Compensation

Stock based compensation expense for the nine month period ended February 28, 2010 was $594,000, compared to $424,630 for the nine month period ended February 28, 2009. For the three month period ended February 28, 2010, stock based compensation was $217,000 as compared to $148,283 for the three period ended February 28, 2009. The increases are primarily a result of increased expense recognized in respect of the grant of 15,100,000 options in October 2009.

Net Loss and Cash Used in Operations

The net loss and comprehensive loss for the nine months ended February 28, 2010 of $6,368,500 represents an increase of approximately 55% over the net loss and comprehensive loss for the nine month period ended February 28, 2009 of $4,121,949. This was principally the result of factors mentioned above relating to increased general and administrative expenses, reorganization and listing costs of $1,173,758, increased depreciation and amortization of $455,376 and write down of the drilling rig of $982,582 offset by recovery of financing and other costs of $432,388. The net loss and comprehensive loss for the three month period ended February 28, 2010 was $993,683 as compared to the net loss and comprehensive loss for the three month period ended February 28, 2009 of $1,170,209 or a decrease of 15%. The decrease in the net loss and comprehensive loss for the three month period ended February 28, 2010 as compared to the same period ended February 28, 2009, is primarily attributed to Russian VAT interest recovery which decreased financing and other costs by $595,234. The decrease was partially offset by increases in depreciation on the drilling rig and equipment of $272,129, stock based compensation of $68,717 and an increase in general and administrative expense. Financing and other costs of $162,846 in the three month period ended February 28, 2009 were non-recurring costs related to the settlement of a claim in 2009.

Cash used in operations in the nine months ended February 28, 2010 of $3,749,721 was 37% higher than the equivalent figure for the same period ended February 28, 2009 of $2,744,491. The increase in the cash used in operations is less than the increase in the net loss and comprehensive loss because the net loss determination included non-cash amounts for bonus and services settled in shares and the non-cash depreciation on the drilling rig and equipment in service in Russia and the write down of the new drilling rig. The cash provided by operations for the three month period ended February 28, 2010 was $43,992 and for the three month period ended February 28, 2009 was $326,121. The decrease of $282,129 was largely due unrealized foreign exchange losses of $671,581 in the three month period ended February 28, 2009 which were $485,610 higher than the same period ended February 28, 2010 and a claim included in financing and other costs of $350,000 that was settled in shares as opposed to cash in the three month period ended February 28, 2009. These amounts were offset by Russian VAT interest recoveries of $432,388 in the three month period ended February 28, 2010.

SUMMARY OF QUARTERLY RESULTS

	For the three months ended				
	February 28, 2009	May 31, 2009	August 31, 2009	November 30, 2009	February 28, 2010
Interest income	$ 984	$ 1,748	$ 18,931	$ 366	$ 64
Write down of property and equipment	-	2,407,000	-	982,582	-
Other expenses	1,171,193	1,285,358	1,065,093	3,346,439	993,747
Total expenses	1,171,193	3,692,358	1,065,093	4,329,021	993,747
Net loss	1,170,209	3,690,610	1,046,162	4,328,655	993,683
Net loss per share – basic and diluted	$ (0.01)	$ (0.02)	(0.00)	$ (0.01)	$ (0.00)

PetroKamchatka became a reporting issuer on November 26, 2009 pursuant to the completion of an arrangement. Prior to that time, PKR did not prepare interim financial statements on a basis consistent with the interim financial statements of PetroKamchatka for the period ended February 28, 2010. As a result, a summary of quarterly results in periods prior to February 28, 2009 are not available.

Expenses and the net loss increased in the three month period ended May 31, 2009 due primarily to a write down of property and equipment. In the three month period ended November 30, 2009, expenses and net loss are significantly higher due primarily to an additional write down on property and equipment and reorganization and listing costs of $1,173,758 incurred to complete an internal reorganization and listing of the Corporation on the TSXV in the quarter.

LIQUIDITY AND CAPITAL RESOURCES

Overview

PetroKamchatka is engaged in the exploration for petroleum and natural gas in the Kamchatka Peninsula of Russia but does not yet have reserves, production or revenue from operations. PetroKamchatka has historically funded its operations through equity financings.

As at February 28, 2010, PetroKamchatka had working capital of $9,489,408 and did not have any bank loans or other credit facilities. Working capital at February 28, 2010 was comprised of cash and cash equivalents of $11,469,276, accounts receivable of $2,852,484 and prepaid expenses of $72,481, less trade accounts payable and accrued liabilities of $4,904,833. During the nine month period ended February 28, 2010, the Corporation increased its working capital by raising cash through two private placement financings. The first provided for net proceeds of $11,388,579 and closed at various times from June through August 2009. The second, completed in November 2009, provided for net proceeds of $8,423,682.

Capital management

The Corporation does not have sufficient financial resources to meet all of its future exploration and drilling commitments required by its exploration licenses in Kamchatka, Russia and, therefore, could lose part or all of its interest in the Russian licenses if it fails to obtain additional funding. The exploration of the Corporation's properties depends, therefore, on its ability to obtain equity financing, debt financing, strategic partnerships or other means. If the Corporation is unable to raise funds, when required in the future, it may be in breach of its funding obligations under its agreements with KKPL and the commitments included in its Russian license agreements. Thus, it could lose part or all of its interest in the Russian properties. Management of the Corporation will monitor the Corporation's capital spending on its projects in Russia and its general and administrative expenses and will make modifications to its current plans if necessary.

The Corporation’s Urginskaya license, an exploration license in the Kamchatka Peninsula acquired January 29, 2009 and in which the Corporation owns a 90% indirect interest, covers approximately 2,134 square kilometers and is valid until February 15, 2013. The Urginskaya license specifies that the license holder must shoot a minimum of 200 kilometers of seismic by February 1, 2010 and drill and complete one well within the first three years of the license term. The Corporation did not meet the seismic commitment and is seeking a revision of these commitments. In the event changes are not granted, the license will be forfeited.

Capital expenditures

The following table reflects only the portion of capital expenditures and recoveries that represent the Corporation’s share of these amounts.

	For the three months ended		For the nine months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Russian petroleum and natural gas properties	$ 3,239,957	$ 1,206,046	$ 8,010,708	$ 11,132,139
Less Russian VAT recoveries	(1,013,494)	(487,460)	(3,421,256)	(225,450)
	$ 2,226,463	$ 718,586	$ 4,589,452	$ 10,906,689
Joint interest in drilling rig	-	53,751	-	1,360,264
Other equipment - Russia	-	-	286,017	5,661,772
Office furniture and equipment	8,477	2,705	17,626	71,343
Total capital expenditures	**$ 2,234,940**	**$ 775,042**	**$ 4,893,095**	**$ 18,000,068**

PetroKamchatka incurred exploration costs on the Russian properties of $8,010,708 during the nine month period ended February 28, 2010 (three month period ended February 28, 2010 - $3,239,957). Russian VAT recoveries of $3,421,256 for the nine month period ended February 28, 2010 (three month period ended February 28, 2010 - $1,013,494) have been recorded as reductions of these costs, resulting in net expenditures of $4,589,452 for the nine month period ended February 28, 2010 (three month period ended February 28, 2010 - $2,226,463). There were VAT recoveries of $225,450 in the three and nine months ended February 28, 2009. Russian property costs in 2010 principally represent PetroKamchatka's share of costs related to preparing for and commencing the drilling program on the Tigil Block. The costs for Russian petroleum and natural gas properties before Russian VAT recoveries for the three month period ended February 28, 2010 was $2,033,911 greater than these expenditures in the three months ended February 28, 2009 as the Corporation incurred drilling costs in January and February 2010 to complete drilling the first well on its Tigil property and mobilize equipment for its second well on the same property, which spudded April 15, 2010.

The Corporation's proportionate share of costs for Russian project equipment incurred in the nine month period ended February 28, 2010 was $286,017 and $5,661,772 in the nine month period ended February 28, 2009. The costs in the nine month period ended February 28, 2009 were principally related to the Corporation's share of the cost of the Russian rig. For the three months periods ended February 28, 2010 and 2009 the Corporation did not incur any costs related to this equipment. The majority of costs were incurred by the end of February 28, 2009. The equipment is ancillary oilfield equipment acquired for the purpose of PetroKamchatka's Russian drilling programs, including the fall 2009 program and the program planned for the spring of 2010 on the Tigil block.

PetroKamchatka's future capital requirements will focus on the resource evaluation of its Russian properties and meeting its work commitments under the exploration licenses. PetroKamchatka recently completed drilling of one well on the Tigil block and expects to complete drilling of a second well in the 2010 calendar year on the same block. It also expects to drill a well on its Icha Block in the winter of 2010-2011. Management expects its working capital will provide sufficient funds to complete its first and second wells on the Tigil Block. The 2010 work programs and budgets for the Tigil and Icha blocks have been approved by PetroKamchatka's joint venture partner, KKPL. The 2011 work program and budgets are subject to the approvals of KKPL and the Board; to changes which may result from evaluation of the current drilling program; and upon the ability of the Corporation to obtain adequate financing.

Equity

As at April 23, 2010, PetroKamchatka had 21,550,000 options, 21,325,000 warrants and 489,063,510 common shares outstanding. On April 23, 2010, 225,000 options were granted to employees, officers and consultants and nil options were forfeited between March 1 and April 23, 2010. On April 20, 2010, 565,469 shares were granted at market value to directors for services.

CONTRACTUAL OBLIGATIONS

There have been no material changes to the Corporation's contractual obligations during the nine month period ended February 28, 2010.

RELATED PARTY TRANSACTIONS

At February 28, 2010, there were no amounts receivable from directors or officers. At February 28, 2010, amounts were owed to directors and officers totaling $413,993 for services performed and expenses incurred in the normal course of operations.

On July 8, 2009, the Corporation repaid loans owing to a person who is a shareholder, officer and director in the aggregate amount of $390,000 plus interest of $5,051. The loans were made during the year ended May 31, 2009.

OFF-BALANCE SHEET ARRANGEMENTS

As at February 28, 2010, the Corporation did not have any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The fair value of the Corporation's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximated their carrying values as at February 28, 2010 and May 31, 2009. The Corporation is exposed to various risks associated with its financial instruments. These risks are categorized as market risk, credit risk and liquidity risk.

Market risk is the risk that changes in market conditions, such as commodity prices, exchange rates and interest rates, will affect the Corporation's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.
Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also reduce the Corporation's ability to raise capital. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. In the future, the Corporation may attempt to mitigate commodity price risk through the use of financial derivatives. The Corporation does not have any oil or gas production and does not have any risk management contracts in place as at or during the three or nine month periods ended February 28, 2010 and 2009.

The Corporation is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in property and equipment in foreign currencies. The Corporation incurs expenditures in Russian rubles and Canadian dollars and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place as at or during the three or nine month periods ended February 28, 2010 or 2009.

Financial instruments that potentially subject the Corporation to concentration of credit risk consist of accounts receivable.

There is minimal credit risk on accounts receivable. Accounts receivable consists of Russian value added taxes, amounts due from the Canadian Government and accounts receivable from the Corporation's joint ventures. All amounts due to the Corporation for Russian value added taxes and due from the Canadian Government were received subsequent to the end of the period.

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable consists primarily of invoices payable to trade suppliers or professionals for capital expenditures and services rendered.

The Corporation prepares budgets for its corporate operations and capital expenditure programs which are regularly monitored and updated as considered necessary.

RECENT CHANGES IN ACCOUNTING POLICIES

Accounting Policies Not Yet Adopted

In January 2009, the CICA issued new standards relating to business combinations (Section 1582), consolidated financial statements (Section 1601) and non-controlling interests (Section 1602). Section 1582 will be harmonized with IFRS 3 "Business Combinations". It will require most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. Section 1602 will harmonize with the requirements of IAS 27 "Consolidated and Separate Financial Statements". It requires non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. Section 1601 in combination with Section 1602 replaces the former consolidated financial statements standard (Section 1600) and establishes standards for the preparation of consolidated financial statements. These standards are effective January 1, 2011 with early adoption permitted. The Corporation is currently evaluating the impact of these new sections on its consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that accounting standards in Canada will converge with IFRS. Foreign companies listed for trading in Canada which presently prepare financial statements under Canadian GAAP, such as the Corporation, will begin reporting under IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, with appropriate comparative information for the prior year. As the year end of PetroKamchatka is May 31, it will begin reporting under IFRS in its fiscal year beginning June 1, 2011.

PetroKamchatka will develop a changeover plan that will address the impact of the changeover to IFRS, including accounting policies, financial reporting, internal controls, information systems, education, training and other business activities.

PetroKamchatka is in the process of evaluating the project and resource requirements. The plan will include planning and scoping, designing and building and implementation and review. The timing of the plan is not yet finalized.

The Corporation has not begun to quantify the potential effects of accounting differences between IFRS and current GAAP. As the Corporation identifies implications of the conversion, it will address the requirements, continue to monitor the effect of adopting IFRS and will update its progress on its changeover plan in its quarterly MD&A disclosures.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), venture issuers can file a Venture Issuer Basic Certificate (the "Basic Certificate") as defined by NI 52-109. The Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. For interim filings, the Basic Certificate requires that the venture issuer's certifying officers certify that:

- They have reviewed the interim consolidated financial statements (the "interim filings") of the company;
- Based on their knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and
- Based on their knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

PetroKamchatka is currently listed on the TSXV, and the Corporation's CEO and CFO file the Basic Certificate. They do not make any representations relating to the establishment and maintenance of:

- Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

Investors should be aware that, due to the limited resources and number of staff of the Corporation, and the fact that the Corporation's activities are carried out in Jersey, Cyprus, Canada and Russia, inherent limitations exist relative to the Corporation's ability to design and implement, on a cost effective basis, DC&P and ICFR as defined in NI 52-109. Also, the Corporation does not have in-house expertise sufficient to deal with all of the complex and diverse taxation, legal and regulatory matters in all of these jurisdictions, without the assistance of external firms and consultants to assist and advise on the reporting implications related to such matters. These circumstances may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The CEO and CFO are however responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the Basic Certificate. They employ advisors and consultants and review financial materials and processes to mitigate the risk of material misstatements in financial reporting.

BUSINESS CONDITIONS AND RISKS

Petrokamchatka, conducts its business in the international oil and gas industry, operates in environments subject to inherent risks. Many such uncertainties are beyond the ability of a company to control, particularly those associated with oil and natural gas exploration, financial risks, substantial capital requirements, political and government risks, government regulation, limitations on foreign investments in Russia, environmental, prices, dependence on key personnel, availability of drilling equipment and access, access to Kamchatka, risks that may not be insurable, licenses, resource estimates and variations in exchange rates. Readers are cautioned the foregoing list of factors that may affect future results is not exhaustive.

ADDITIONAL INFORMATION

Additional information relating to PetroKamchatka can be viewed at our website (www.petrokamchatka.com) or at SEDAR (www.sedar.com).