



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 January 29, 2010, provides a review of the Corporation's financial results for the three and six months ended November 30, 2009. The MD&A should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the Corporation for the three and six months ended November 30, 2009 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, were prepared in United States dollars 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. Numerous prospects and leads in the Tigil and Icha Blocks have been identified on modern 2D seismic. KNOC Kamchatka Petroleum Limited ("KKPL"), a company owned 55% by Korea National Oil Corporation, holds an indirect 50% net interest; and the Koryakia Property Fund, an investment agency of the Koryakia Okrug Administration, Kamchatka, holds an indirect 5% net interest, 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 a fifth 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 drilling plans,
- 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, 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.

SECOND QUARTER HIGHLIGHTS

During the three months ended November 30, 2009, the Corporation completed the following transactions:

- An internal corporate reorganization (the "Reorganization") whereby it acquired all of the securities of PetroKamchatka Resources Plc ("PKR"), a Cyprus company, on November 23, 2009;
- An arrangement ("Arrangement") under the Business Corporations Act (Alberta) involving the Corporation, 1490697 Alberta Ltd., a wholly-owned subsidiary of the Corporation, PKR, Bluerock Acquisition Corp. ("Bluerock") and the holders of common shares of Bluerock, whereby the Corporation indirectly acquired all of the shares of Bluerock. Bluerock was a capital pool company listed on the TSX Venture Exchange with no material assets or operations; and
- A brokered private placement financing (the "Financing") of 61,828,486 subscription receipts of 1490697 Alberta Ltd., a wholly-owned subsidiary of the Corporation, at a price of US\$0.15 per subscription receipt for gross proceeds of US\$9,274,273. The subscription receipts were converted into common shares of the Corporation concurrent with closing of the Arrangement.

In connection with completion of the Arrangement, the Corporation became a reporting issuer in 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, through its indirect interest in CJSC Tigil Exploration, operates and spudded its first well, the Oyarskaya 1P exploration well in late October 2009. Under the terms of the exploration license, the Corporation is required to drill two wells on its Tigil Block - one in the 2009 calendar year and one in the 2010 calendar year.

Subsequent to November 30, 2009, PetroKamchatka completed drilling the Oyarskaya 1P exploratory well in Kamchatka, Russia to a total depth of 3,236 meters, and is now proceeding to move the next exploration prospect location.

The initial evaluation indicates that the Oyarskaya 1P well did not reach the target Tertiary reservoir sandstones as the overlying formations appear much thicker than predicted. The Oyarskaya 1P well will be suspended pending further evaluation. Well logging has been completed and no drill-stem or production tests will be conducted at this time. The first Tigil well was drilled using our joint venture-owned drilling rig. It was drilled on schedule and with no major operational problems. Post well analysis of geologic data should enhance future drilling performance.

The Corporation is preparing to move the mobile drilling rig over approximately twenty kilometers of winter roads to the Chernorechenskaya location. The Chernorechenskaya well is expected to spud in mid-April 2010 and the Corporation is planning for the well to be drilled to a total depth of 3200 meters by the end of June 2010.

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The unaudited financial information for PetroKamchatka includes the accounts of the Corporation and its subsidiaries as well as its proportionate share of the accounts of its joint interest corporations. The Corporation conducts certain of its oil exploration activities on a joint interest basis. This financial information reflects only PetroKamchatka's proportionate interest in such activities.

The Corporation follows 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.

SELECTED FINANCIAL INFORMATION

For the three months ended	November 30, 2009	August 31, 2009
Interest income	\$ 366	\$ 18,931
Expenses	4,329,021	1,065,093
Loss	4,328,655	1,046,162
Loss per share – basic and diluted	0.01	0.00
Cash used in operations	1,607,682	2,186,031
Cash used in investing	444,713	2,763,213
Cash provided by financing	\$ 8,621,793	\$ 11,024,213

For the six months ended	November 30, 2009	November 30, 2008
Interest income	\$ 19,297	\$ 35,248
Expenses	5,394,114	2,986,988
Loss	5,374,817	2,951,740
Loss per share – basic and diluted	0.01	0.02
Cash used in operations	3,793,713	3,070,612
Cash used in investing	3,207,926	18,821,081
Cash provided by financing	\$ 19,646,006	\$ 18,325,996

As at	November 30, 2009	May 31, 2009
Total assets	\$ 71,648,934	\$ 57,627,692
Total liabilities	4,108,532	6,957,104
Shareholders' equity	\$ 67,540,402	\$ 50,670,588
Number of common shares outstanding	488,498,041	158,119,629
Number of warrants outstanding	21,070,122	19,516,940
Number of options outstanding	21,325,000	6,225,000

As at January 29, 2010, PetroKamchatka had 21,325,000 options, 21,070,122 warrants and 488,498,041 common shares outstanding.

PetroKamchatka became a reporting issuer on November 26, 2009 pursuant to the completion of the Arrangement. Prior to that time, PetroKamchatka did not prepare interim financial statements on a basis consistent with the interim financial statements of PetroKamchatka for the period ended November 30, 2009 and, accordingly, comparative information to the

three month period ended November 30, 2008 and a summary of quarterly results in periods prior to August 31, 2009 are not available. Information for the six month period ended November 30, 2008 is available and is disclosed in this MD&A.

RESULTS OF OPERATIONS

General and Administrative Expenses	For the three months ended		For the six months ended	
	November 30, 2009	August 31, 2009	November 30, 2009	November 30, 2008
Payroll and personnel	\$ 726,952	\$ 206,261	\$ 933,213	\$ 400,828
Professional fees	565,803	274,083	839,886	881,720
Office and administrative	248,819	136,652	385,471	210,103
Directors expenses	118,696	101,750	220,446	252,209
Business taxes	59,447	30,689	90,136	198,816
Travel and business development	377,311	60,717	438,028	163,371
Public company costs	72,924	-	72,924	-
General and administrative expenses	\$ 2,169,952	\$ 810,152	\$ 2,980,104	\$ 2,107,047

General and administrative expenses for the six month period ended November 30, 2009 increased by \$873,057 or 41% over the six month period ended November 30, 2008. For the three month period ended November 30, 2009, general and administrative expenses increased by \$1,359,800 over the three month period ended August 31, 2009.

PetroKamchatka paid a milestone bonus to officers, consultants and employees during the six months ended November 30, 2009. No bonuses were paid during the six month period ended November 30, 2008 period. 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 included in 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 and professional fees – consultants expenses. The net increase in these expenses was offset by decreases in legal costs included in professional fees. The increase for the three month period ended November 30, 2009 over the three month period ended August 31, 2009 in these two expense categories is due to the bonus paid in October 2009 and also the engagement of additional consultants in the three month period ended November 30, 2009.

Office and administrative expenses increased by \$175,368 in the six month period ended November 30, 2009 as compared to the six month period of the prior year primarily due to new office space acquired.

Travel and business development expenses increased by \$274,657 in the six month period ended November 30, 2009 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 Tigil well in October 2009. This factor also explains the increase in this expense for the three months ended November 30, 2009 as compared to the three month ended August 31, 2009.

Reorganization and Listing Costs

Reorganization and listing costs of \$1,173,758 were incurred in the three month period ended November 30, 2009 (nil for

the six month period ended November 30, 2008). These costs relate to net expenses incurred specifically to complete the Reorganization, the Arrangement and to complete the 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.

Foreign Exchange (Gain) Loss

The Corporation had foreign exchange gains of \$324,430 (unrealized gains of \$456,705) for the six month period ended November 30, 2009; \$409,371 (unrealized gains of \$425,525) for the three months ended November 30, 2009; and a foreign exchange loss of \$397,684 (unrealized gains of \$749,388) for the six month period ended November 30, 2008. The gains in the periods ended November 30, 2009 relate primarily to strengthening of the Russian Ruble and its impact on cash and cash equivalents held in Russian Rubles. 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 six month periods ended, November 30, 2009 or 2008.

Depreciation and Amortization

Depreciation for the six month period ended November 30, 2009 was \$205,100 as compared to \$21,853 for the six month period ended November 30, 2008 and consists of depreciation on the Russian rig and equipment and other equipment. In October 2009, the Corporation began using and depreciating its drilling rig and equipment acquired for drilling on the Tigil block accounting for the increase in depreciation and amortization. The drilling rig and equipment depreciation for the three and six month period ended November 30, 2009 was \$185,000.

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 the Russian drilling program, and undertook to sell the rig. No firm offers have been received to date. The Corporation obtained a fair market appraisal of the rig value and recorded a write down of \$2,482,417 at May 31, 2009. More recently the Corporation received a more current appraisal and recorded a further write down of \$982,582 at November 30, 2009.

The write down recorded in the first six months of fiscal 2008 of \$75,417 related to Canadian petroleum and natural gas properties which have been written down to a carrying value of nil.

Stock Based Compensation

Stock based compensation expense for the six month period ended November 30, 2009 was \$377,000 and for the six month period ended November 30, 2008 was \$276,347. For the three month period ended November 30, 2009, stock based compensation was \$217,000 as compared to \$160,000 for the three month period ended August 31, 2009. The increases are primarily a result of increased expense recognized on the grant of 15,100,000 options in the three month period ended November 30, 2009.

Loss and Cash Used in Operations

The loss and comprehensive loss for the six months ended November 30, 2009 of \$5,374,817 represents an increase of approximately 82% over the loss and comprehensive loss for the six month period ended November 30, 2008 of \$2,951,740. 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 \$183,247 and write down of the drilling rig of \$982,582. The loss and comprehensive loss for the three month period ended November 30, 2009 was \$4,328,655 as compared to the loss for the three month period ended August 31, 2009 of \$1,046,162. The increase in the loss is primarily attributed to the increases in general and administrative expenses outlined above, the reorganization and listing costs, depreciation on the Russian rig and equipment and the write down of the drilling rig in the three months ended November 30, 2009.

Cash used in operations in the six months ended November 30, 2009 of \$3,793,713 was higher by \$723,101 than the equivalent figure for 2008 of \$3,070,612. The increase in the cash used in operations is less than the increase in the loss and comprehensive loss because the loss determination included non-cash amounts for bonus and services settled in shares and the non-cash depreciation on the Russian rig and equipment and write down of the drilling rig. The cash used in operations for the three month period ended November 30, 2009 was \$1,607,682 and for the three month period ended August 31, 2009 was \$2,186,031. The decrease of \$578,349 was largely due to an increase in accounts payable relating to operating expenses at November 30, 2009 as compared to August 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Overview

PetroKamchatka is engaged in the exploration for crude oil 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 November 30, 2009, PetroKamchatka had working capital of \$12,212,331 and did not have any bank loans or other credit facilities. Working capital at November 30, 2009 was comprised of cash and cash equivalents of \$15,131,712 and accounts receivable of \$1,007,487, prepaid expenses of \$181,664, less trade accounts payable and accrued liabilities of \$4,108,532. During the six month period ended November 30, 2009, 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, through its operating subsidiaries, is engaged in oil exploration in the Kamchatka Peninsula of Russia. As at this time, the Corporation does not have any reserves, production or revenue from operations. The Corporation has historically funded its operations through equity financings.

The Corporation does not have sufficient financial resources to meet all of its future exploration and drilling commitments on its exploration licences in Kamchatka, Russia and, therefore, could jeopardize part of its interest in the Russian properties if it is unsuccessful in its exploration efforts and is unable to raise 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, the Corporation may be in breach of its funding obligations under its agreements with KKPL and therefore could lose part of its interest in the Tigil and Icha 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 net proceeds from the financings during the six months ended November 30, 2009 assisted PetroKamchatka to satisfy the minimum listing requirements of the TSXV and will be used to fund PetroKamchatka's ongoing exploration and development operations in the Kamchatka Peninsula in Russia.

Capital expenditures

	For the three months ended		For the six months ended	
	November 30, 2009	August 31, 2009	November 30, 2009	November 30, 2008
Russian petroleum and natural gas properties (gross)	2,050,028	2,720,723	4,770,751	10,188,103
Less VAT recoveries	(1,244,471)	(1,163,291)	(2,407,762)	-
Russian petroleum and natural gas properties	805,557	1,557,432	2,362,989	10,188,103
Joint interest in drilling rig	-	-	-	1,306,513
Other equipment - Russia	61,904	224,113	286,017	5,661,772
Office furniture and equipment	4,733	4,416	9,149	68,638
Total capital expenditures	\$ 872,194	\$ 1,785,961	\$ 2,658,155	\$ 17,225,026

PetroKamchatka incurred exploration costs on the Russian properties of \$4,770,751 during the six month period ended November 30, 2009 (three month period ended November 30, 2009 - \$2,050,028). Russian value added tax ("VAT") recoveries of \$2,407,762 for the six month period ended November 30, 2009 (three month period ended November 30, 2009 - \$1,244,471) have been recorded as reductions of these costs resulting in net expenditures of \$2,362,989 for the six month period ended November 30, 2009 (three month period ended November 30, 2009 - \$805,557). There were no VAT recoveries in the six months ended November 30, 2008. Russian property costs in 2009 principally represent PetroKamchatka's share of costs related to preparing for and commencing the drilling program on the Tigil Block. The gross costs for Russian petroleum and natural gas properties for the three month period ended August 31, 2009 was \$670,695 greater than these expenditures in the three months ended November 30, 2009 as the Corporation incurred mobilization costs in the quarter ended August 31, 2009 in preparation for drilling the Tigil well.

The Corporation's proportionate share of costs for Russian project equipment incurred in the six month period ended November 30, 2009 was \$286,017. 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 licences. PetroKamchatka recently completed drilling of one well on the Tigil block and expects to drill another 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 and fund a portion of pre-drilling costs for a third well.. The 2010 and 2011 work programs and budgets at the Tigil and Icha Block are subject to the approvals of PetroKamchatka's joint venture partner, KKPL, and the Board and the ability to obtain adequate financing. The results from drilling any of these wells may cause a shift in PetroKamchatka's plans, depending upon the outcomes.

CONTRACTUAL OBLIGATIONS

There have been no material changes to the Corporation's contractual obligations during the six month period ended November 30, 2009.

RELATED PARTY TRANSACTIONS

At November 30, 2009, there were no amounts receivable from directors or officers. At November 30, 2009, amounts were owed to directors and officers totaling \$252,589 for services performed and expenses incurred in the normal course of operations.

In the six month period ended November 30, 2009, the Corporation repaid loans owing to a person who is a shareholder, officer and director 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 November 30, 2009, the Corporation did not have any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

Note 9 to the financial statements include a discussion of the Corporation's financial instruments and the related market risks.

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 intends to 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 and believes that 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.

BUSINESS CONDITIONS AND RISKS

Petrokamchatka, conducts its business in the international oil and gas industry and 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, commodity prices and cost of inputs, 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).