

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

Primary Petroleum Corporation

Management Discussion and Analysis

Three Months Ended August 31, 2007

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

MANGAGEMENT DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) is a review of operations, current financial position and outlook for Primary Petroleum Corporation ("Primary" or the "Corporation"). The date of this MD&A is October 29, 2007. It should be read in conjunction with the interim consolidated financial statements and the related notes thereto for the three months ended August 31, 2007 and 2006, the audited financial statements for the years ended May 31, 2007 and 2006 and the related notes thereto, prepared in accordance with Canadian generally accepted accounting principles.

FORWARD LOOKING STATEMENTS

The MD&A contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the MD&A. Forward looking statements are based on estimates and opinions of the Corporation's management at the time the statements were made. The Corporation assumes no obligation to update forward-looking statements should circumstances or management's estimates change except as required under applicable laws.

NATURE OF BUSINESS

Primary is an exploration and development Canadian oil and gas corporation with its head office and operations based in Calgary, Alberta. The Corporation also has a satellite office in Montana, United States and an administrative office in Vancouver, British Columbia. The Corporation's mandate is exploration and development in the Western Sedimentary Basin in the USA and Canada with a current focus on its significant land holdings in Montana, USA and on its current prospects in Alberta, Canada. North America will remain the preferred exploration location for the foreseeable future, given the large number of untested targets, the proximity to the United States markets and security of supply. The Corporation currently has oil and gas rights on over 230,000 acres in Montana and approximately 13,100 acres in Alberta. These projects are located in proximity to refineries with excess capacity, which will allow the Corporation to readily bring its oil to market.

OVERALL PERFORMANCE

With limited operations as an oil and gas Corporation that has commenced within the past three years, Primary has accomplished a number of goals:

- Strengthened the balance sheet with proceeds from private placement financings and subsequent to the year ended May 31, 2007, completed an initial public offering ("IPO") with a listing on the TSX Venture Exchange under the trading symbol: PIE;
- Continued to increase its land position of prospective oil and gas prospects;
- Increased its management team; and
- Developed an exploration and development plan on its prospects in Montana and Alberta with a mandate on execution after the IPO.

The current activity and work plan for the projects are more fully described in the Operational Review section later in this report.

Operational and Project Review

Primary's strategy is to evaluate, explore and develop each oil and gas project through:

- geological and engineering analysis to validate each play and identify oil and gas pools which may result in economic recovery;

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

- perform field work including leasing, seismic, drilling, and completions to substantiate engineering and geological analysis, which could result in commercial development and recovery plans; and
- engage an independent third-party to establish the value of commercial reserves, leading to farm-in's, joint ventures, purchase and/or sale, or funding and execution of the commercial development plan.

The objectives of the 2008 plan are to establish reserves and demonstrate commercial feasibility through the drilling, development and operation of each project.

The following is a description and plan for each of the Corporation's projects.

Alberta Oil & Gas Properties

To date, the Corporation farmed-in on various working interests in eleven properties located throughout Alberta. Over the next twelve months, the Corporation intends to focus its efforts on two principal properties:

1. Swimming Reserve:

The Corporation entered into a Participation, Farm In and Operating Agreement with Core Exploration ("Core") on July 1, 2006 with respect to 51-07W4 Sections 28 & 22; which total 1,280 net acres. These lands are located in the Swimming area in NE Alberta. An extension was granted by Core to the Corporation on the basis that the drilling of the second test well must commence by August 8, 2007. This well was drilled in August.

The Corporation recently acquired a 100% W.I. in two additional sections 1,280 (gross) acres, 1,280 (net) acres in the immediate area at the April 4, 2007 Petroleum & Natural Gas ("P&NG") land sale in Alberta. The Corporation acquired an additional ¼ section, 160 acres (net) in close proximity at the October 17, 2007 P&NG land sales in Alberta.

2. Ashmont – Undeveloped Land:

The Corporation entered into a Finders Fee and Overriding Royalty Agreement with Pekisko Creek Exploration Ltd and Excel Geophysics Inc. on June 20, 2006 for the rights to the prospect as well as all technical. Ashmont is located in East Central Alberta.

The Corporation has acquired a 100% working interest (subject to a 3% gross over riding royalty) in 5,120 (net) acres at P&NG land sales during July and August, 2006 in the Ashmont area in Alberta.

To reduce risk, the Corporation may consider an industry partner to recover a portion of the land and seismic costs, and to participate in the drilling.

Alberta Activity - Reserve

Since October, 2004, the Corporation has participated in the drilling of eleven wells and four re-completions. One well has been drilled, (10-28-51-7W4) and one well re-completed (4-28-51-7W4) on the Swimming property. The 10-28 gas well is currently producing at a rate of approximately 400 Mcf/d and the 4-28 well is currently shut in due to the transportation line not able to accept the low pressure production from the 4-28 well. The remaining wells were drilled on the various other land holdings in Alberta. This activity has resulted in one (Swimming 10-28) producing gas well; six potential gas wells; and four wells that were drilled and abandoned.

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

The Corporation has identified a prospective core area for shallow gas in east central Alberta. Results to date include one producing gas well and two successful re-completions.

The following work program in Alberta is budgeted for in the coming year:

- a second well off-setting the 10-28 Swimming reserve well;
- acquire other additional lands; and
- develop and engage a seismic program on its undeveloped lands at Ashmont.

Montana Oil & Gas Properties – Undeveloped Land

The lands in Montana are a composite of state and fee simple lands. The state lands are subject to a 16.67% royalty. The fee simple lands are burdened with lessor royalties of varying amounts, with the vast majority being 12.5%.

The Corporation has also acquired a significant number of oil and gas leases in the state of Montana. In the next twelve months the Corporation intends to focus on the Pondera-Teton and Saturn prospects.

The Corporation commenced a land acquisition program in Montana in October, 2005. It currently has over 293,000 prospective acres under lease in four prospect areas in Montana including:

- Pondera–Teton Prospect:** located in NW Montana, on the eastern flank of the Montana Thrust Belt. The area of Mutual Interest “(AMI)” that the Corporation is focusing on covers approximately 750,000 acres, in the Pondera and Teton Counties. To date, approximately 115,000 acres have been leased.
- Saturn Prospect:** located in Daniels county in NE Montana in the Williston Basin. The AMI for this prospect area is approximately 43,000 acres. To date approximately 20,100 acres have been leased.
- Tiber land:** located in Liberty and Toole Counties, in NW Montana. The AMI for this prospect covers approximately 100,000 acres. To date, approximately 53,000 acres have been leased by the Corporation.
- Chalk Buttes land:** located in Carter, Custer and Powder River Counties in SE Montana. The AMI for this prospect covers approximately 500,000 acres. To date, approximately 79,000 acres have been leased to the Corporation

Two prospective core areas have been identified by the Corporation in Montana and are the focus of the Corporation's exploration over the next twelve months:

- 1. Pondera-Teton**

Pondera is situated immediately east of the disturbed belt and on the western dipping flank of the Sweetgrass Arch. The area is prospective for oil in the Mississippian Madison Formation and gas in the Cretaceous Sunburst and Bow Island Formations.

Since October, 2005, over 115,000 acres of fee simple and state lands have been acquired by the Corporation. Approximately 126 miles of 2D seismic data has been purchased, re-processed and re-interpreted by the Corporation as a result of this work. Sixteen drilling locations have been identified. 3D seismic will be shot prior to drilling.

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

2. Saturn

The Saturn area in eastern Montana is prospective for oil in the Lower Mississippian McGowan and Mission Canyon Formations. The Corporation began acquiring leases in the Saturn area in September, 2006; since then over 20,100 acres have been acquired. The Corporation has recently purchased 2D seismic and three potential drilling locations have been identified.

RESULTS OF OPERATIONS

Dividends

The Corporation has not paid any dividends on its Common Shares. Any decision to pay any dividends on Common Shares in the future will be made by the board of directors on the basis of earnings, financial requirements and other conditions existing at such time.

Revenues

During the three months ended August 31, 2007, the Corporation had \$94,080 of petroleum and natural gas revenues net of royalties and \$51,338 for the period ended August 31, 2006. The net revenues related to oil and gas during the three month period ended August 31, 2007 and 2006 demonstrates the Corporation is in the early stage of beginning its operations on properties acquired during that period.

During the three months ended August 31, 2007, the Corporation earned interest income of \$16,506 and \$42,972 for the corresponding period ended August 31, 2006. The decrease in the interest earned over the three month period ended August 31, 2007 compared to the corresponding period reflects a reduced cash balance as funds had been spent on expansion of the Corporation's business. Any cash balances were invested in highly liquid investments with a maturity of three months or less.

Production and Operating Costs

Currently, the Corporation's only production is located in the province of Alberta. The production and operating costs to date reflect the early stage of the Corporation's start of operations. Specifically, the operating costs for the three months ended August 31, 2007 were \$16,995 and \$12,667 for the corresponding period ended August 31, 2006.

Expenses-General and Administrative Expenses

The Corporation's general and administrative expenses for the three month period ended August 31, 2007 were \$345,217 as compared to \$198,730 for the same period ended August 31, 2006. This increase is a direct result of an increase in building up a management team, establishing operations in Calgary and expenses relating to due diligence and finalizing acquisitions of properties and continued expansion of the business.

The Corporation did not capitalize any general and administrative costs during the three month period ended August 31, 2007 and 2006. The Corporation follows the full cost method of accounting whereby all costs relating to the exploration for and the development of oil and natural gas reserves is initially capitalized in cost centers by country. Costs capitalized include lease acquisition, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

development activities, and lease and well equipment. Proceeds from the sale of properties are applied against capitalized costs and gains or losses are not recognized unless such sales would alter depletion rate by more than 20%.

Expenses – Other Items

Two items were included in the interim audited financial statements for the three months ended August 31, 2007 that were not part of the corresponding period in the previous year. These items are Stock-Based Compensation and Interest and Accretion on Convertible Notes.

The stock-based compensation expense of \$166,984 for the three months ended August 31, 2007, relates to the Corporation's adoption of an incentive stock option plan.

The Interest and Accretion on the Convertible Notes of \$38,332 for the three months ended August 31, 2007 relates to the Corporation's issuance of convertible notes during the past year.

Depletion, Depreciation and Accretion (“DD&A”)

For the three months ended August 31, 2007, the Corporation incurred \$161,640 of DD&A expense as compared to \$502,213 for the same period ended May 31, 2006. The decrease is due to no ceiling test write down for the three months ended August 31, 2007 as compared to a ceiling test write down of \$396,136 for the same period in the previous year. Of the DD&A expense for the three months ended August 31, 2007, \$4,468 was attributable to furniture, fixtures and computer equipment.

Net Loss

For the three months ended August 31, 2007 and 2006, the Corporation had a loss from operations of \$618,582 and \$619,303, respectively. The net loss for the three month periods ended August 31, 2006, was a result primarily of DD&A of petroleum and natural gas properties. Depletion and amortization of petroleum and natural gas properties of \$161,640 represented approximately 22% of the expenses incurred in the three month period ended August 31, 2007 as compared to 70% for the same period ended August 31, 2006. General and administrative expenses relating to the expansion of the business made up the majority of the remaining expenses for both three month periods ended August 31, 2007 and 2006.

Additional Disclosure for Venture Issuers Without Significant Revenue

(a) Capitalized or expensed exploration and development costs;

For the three months ended August 31, 2007 and 2006, the Corporation did not capitalize any general and administrative expenses.

For the three month periods ended August 31, 2007, the Corporation incurred approximately \$1,685,831 in development and exploration costs. For the three months ended August 31, 2007, there was an operator's overhead recovery of \$3,052 (2006 – \$27,770).

(b) Expensed research and development costs

Expensed research and development costs for the three month periods ended August 31, 2007 and 2006 were nil.

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

(c) Deferred development costs

Deferred development costs for the three month periods ended August 31, 2007 and 2006 were nil.

(d) General and administration expense

General and administration expenses for the three months ended August 31, 2007 and 2006 were \$345,217 and \$198,730, respectively. The primary components of general and administrative costs for the three month periods ended August 31, 2007 and 2006 included \$155,719 for land, geological and engineering consulting fees (2006 - \$93,203) along with expenses relating to professional fees that were primary legal and audit fees for the three month period ending August 31, 2007 of \$18,352 compared to \$32,863 for the period ending August 31, 2006, \$60,000 for management fees (2006 – \$25,500) and \$22,542 for travel and promotion expenses (2006 – \$36,059). Overall, general and administrative costs were higher for the three month period ended August 31, 2007 over 2006 due to the Corporation's increased operations that resulted from additional land acquisitions in 2006 and 2007, including incurred Geological consulting expenses.

(e) Any material costs, whether capitalized, deferred or expensed, not referred to in paragraphs (a) through (d)

There were no material costs, whether capitalized, deferred or expensed, not referred to in paragraphs (a) through (d) for the three month period ended August 31, 2007 and 2006.

Income Taxes

As at August 31, 2007, the Corporation has approximately \$8,740,000 (May 31, 2007 – \$7,976,000) of tax pools and \$1,970,000 (May 31, 2007 – \$1,418,000) of non-capital loss carry-forwards available for deduction against future taxable income. Non-capital losses begin to expire in 2015.

Segmented information

The Corporation operates in one reportable operating or industry segment which is the exploration and development of resource property. The Corporation does report information relating to exploration and development on a geographical basis split between Canada and the United States.

For the three months ended August 31, 2007, all oil and gas revenues and interest income were recorded in Canada, as were interest expense and depletion and depreciation. A net loss of \$7,568 was attributed to the United States which represented just over 1% of the total net loss for the Corporation for the three month period ended August 31, 2007. For the three months ended August 31, 2006, all oil and gas revenues and interest income were recorded in Canada, as were interest expense and depletion and depreciation. A net loss of \$16,862 was attributed to the United States which represented 3% of the total net loss for the Corporation for the three month period ended August 31, 2006.

For the three months ended August 31, 2007, capital expenditures in the United States were \$500,588 and represented 53% of the total \$950,959. Property and equipment in the United States was \$5,106,108 which represented 75% of the total \$6,820,939 as at August 31, 2007. The loan receivable of \$183,887 was entirely recorded in the United States.

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

For the three months ended August 31, 2006, capital expenditures in the United States were \$996,893 and represented 62% of the total \$1,599,812. Property and equipment in the United States was \$4,605,520 which represented 77% of the total \$5,989,785 as at August 31, 2006.

SUMMARY OF QUARTERLY RESULTS

(000's)	2008	2007				2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 111	\$ 153	\$ 172	\$ 89	\$ 94	\$ 40	\$ 6	\$ 3
Income (loss)	(619)	(776)	(1,117)	(688)	(619)	(2,853)	(57)	(59)
Income (loss) per share	(0.02)	(0.03)	(0.05)	(0.03)	(0.02)	(0.21)	(0.01)	(0.01)

The results of operations for the three month period ended August 31, 2007 compared to the same period for 2006 are consistent and reflect the Corporation's increased program of acquisition of oil and gas prospects. General and Administration and DD&A expenses relating to the Corporations' expansion and geological work comprise the majority of the expenses.

Liquidity and Capital Resources

The Corporation's cash and cash equivalents balance was \$725,122 with a negative working capital balance of \$2,680,749 at August 31, 2007 compared with cash and cash equivalents balance of \$1,319,341 and a positive working capital of \$948,072 three months early on August 31, 2007. This decrease in both the cash balance and the working capital is a direct result of the Corporation's acquisition program and expenditures relating to the development and production of its properties and the inclusion of \$2,162,744 of convertible notes as a current liability as their maturity date is less than one year from August 31, 2007.

Long Term Liabilities

As at August 31, 2007, the Corporation has no long term liabilities.

Asset retirement obligation

The asset retirement obligation results from the Corporation's net ownership interests in petroleum and natural gas assets including well sites and gathering systems. The Company estimates the net present value of its asset retirement obligation based on total undiscounted future liabilities measured as at August 31, 2007 of \$242,700 (May 31, 2007 – \$216,300), using a credit adjusted risk free interest rate of 8% and an inflation rate of 2% over a period of one to three years. For the three months ended August 31, 2007 the Corporation incurred \$19,278 of additions and revisions and \$7,223 of accretion.

Financing

As at August 31, 2007, management of the Corporation understood that further financings would be required for Primary to execute its business plans. On September 12, 2007, Primary obtained a public listing on the TSX Venture Exchange and raised gross proceeds of \$8,500,000. See Subsequent events below.

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

Related Party Transactions

The Corporation has the following related party transactions occurring in the normal course of operations and were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

1. For the three months ended August 31, 2007, management and consulting fees totalling \$60,000 (2006 - \$25,500) were charged to the Corporation by the same companies controlled by directors and officers of the Corporation. As at August 31, 2007, \$10,897 payable relating to these services (2006 – nil) has been included in accounts payable and accrued liabilities.
2. For the three months ended August 31, 2007 legal fees of \$570 were charged to the Corporation by a legal firm of which Kenneth Alan Blair, a director of the Corporation is a member (2006 – nil). As at August 31, 2007, \$4,870 payable relating to these services (2006 – nil) has been included in accounts payable and accrued liabilities.

Commitments and contingencies

The Corporation has the following long term commitments;

- (a) a five year lease agreement expiring on March 1, 2012 with a minimum rent of \$123,172 per annum excluding operating costs;
- (b) Primary entered into an agreement on July 26, 2006 to purchase a minimum of 100,000 and up to 300,000 net mineral acres in Montana, with a net revenue interest of not less than 85% to Primary, at a cost of US \$12.50 per acre plus the issue of one-half of a common share of the Corporation for each acre acquired. As at August 31, 2007, Primary had accrued a liability of \$39,616 (May 31, 2007 - \$17,500) with respect to the issuance of the shares, but has not yet issued the shares.
- (c) Finder's fees are payable by the Corporation upon the completion of certain Powder River prospect land acquisitions in Montana. The amount of final obligation is not determinable at this time. The fees are payable on the basis of the issuance of one common share of Primary for each acre acquired. As at August 31, 2007, Primary has accrued a liability of \$79,232 (May 31, 2007 - \$35,000) with respect to the issuance of the shares, but has not yet issued the shares.

Subsequent events

On September 12, 2007, the Corporation completed an initial public offering (the "Offering") of 8,500,000 units at the price of \$1.00 per unit for gross proceeds of \$8,500,000. Each unit consists of one common shares and one-half of a tradeable share purchase warrant. Each warrant is exercisable at a price of \$1.35 per share for two years from the date closing.

The Corporation has set November 21, 2007 as the date for its annual general meeting.

Shareholder Data

As at October 29, 2007, the Corporation had issued 35,518,317 Common Shares. As at that date it, has also issued Warrants and granted Options to purchase up to 15,780,520 Common Shares pursuant to subscription receipts, warrants and options under the Corporation's Option Plan.

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

Drilling Activity

See the “Results of Operations” above for information on the Corporation’s drilling program since inception.

Application of Critical Accounting Estimates

The Corporation's significant accounting policies are disclosed in Note 2 to the annual consolidated financial statements. The following is a summary of significant accounting policies and associated estimates and is not meant to be exhaustive. Certain policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Corporation and the likelihood of materially different results being reported. The Corporation's management reviews estimates regularly, however, the emergence of new information and changed circumstances may also result in actual results or changes to estimates that differ materially from current estimates. The Corporation might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

Financial Reporting Controls

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the effectiveness of the Company’s disclosure controls and procedures as of August 31, 2007, and concluded that, as of that date, the Company’s disclosure controls and procedures were effective.

Proved Oil and Gas Reserves

Proved oil and gas reserves, as defined by the Canadian Securities Administrators in NI 51-101 with reference to the COGE Handbook, are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. An independent reserve evaluator using all available geological and reservoir data as well as historical production data has prepared the Corporation’s oil and gas reserve estimate. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Corporation's development plans. The effect of changes in proved oil and gas reserves on the financial results and financial position of the Corporation is described below under the heading “Full-Cost Accounting Ceiling Test”.

Full-Cost Accounting Ceiling Test

The Corporation performs a ceiling test to determine whether the carrying value of its petroleum and natural gas properties is recoverable and does not exceed the fair value of the properties. The carrying value is considered to be recoverable and not impaired when the undiscounted cash flows expected, using estimated future product prices and costs from the production of proved reserves and the lower of cost or market of unproved properties exceeds the net book value of the properties. When permanent impairment is recognized, a write-down is recorded to the extent that the carrying value of

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

the petroleum and natural gas properties and future development costs exceed the estimated net present value of future cash flows from proved and probable reserves using future product prices and costs, discounted at a risk free interest rate. The amount of write-down is included as additional depletion expense in the statement of operations.

Asset Retirement Obligations

The Corporation recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of petroleum and natural gas properties. The fair value is determined through a review of engineering studies, industry guidelines and management's estimate on a site-by-site basis. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is depleted using the unit of production method based on estimated gross proved reserves as determined by independent engineers. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

Use of Estimates

The amounts recorded for depletion of property and equipment and the ceiling test are based on estimates of gross proved reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. Inherent in the fair value calculation of asset retirement obligations are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal and regulatory environments. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of changes in such estimates in future periods could be material.

Financial Instruments

The carrying value of the Corporation's financial instruments, consisting of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such instruments. Loan Receivable and notes payable also approximate fair value. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Off Balance Sheet Arrangements

The Corporation has not entered into any off-balance sheet arrangements and therefore there can be no current effect on the results of the operations or financial condition.

Future Income Taxes

The Corporation follows the liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in net income in the period in which the change is substantively enacted. A valuation allowance is recorded against a future income tax asset if it is more likely than not that the asset will not be realized.

Primary Petroleum Corporation

Management Discussion and Analysis – Three Months ended August 31, 2007

(in Canadian dollars unless otherwise indicated)

Corporation Information

Additional information related to Primary is available on the Corporation's website at www.Primarypetroleum.com and the SEDAR website at www.sedar.com.