

PRIMARY PETROLEUM CORPORATION

Six Months Ended November 30, 2008

Management's Discussion and Analysis

The following discussion and analysis ("Management's Discussion and Analysis") is dated and based on information at January 26, 2009, and is provided by the management of Primary Petroleum Corporation ("Primary" or the "Corporation") and prepared in accordance with the requirements of National Instrument 51-102 and Form 51-102F1. It should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three months ended November 30, 2008 included in this Interim Report and the audited annual financial statements of the Corporation as at and for the year ended May 31, 2008.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

Additional Information

The information contained in this Interim Report represents only a portion of current information available on Primary Petroleum Corporation. Readers are encouraged to read Primary's 2008 Annual Report and Management Information Circular. These documents together with prior annual and quarterly reports, news releases and corporate presentations are available by visiting the Corporation's website at www.primarypetroleum.com. Additional information regarding the Corporation, including all continuous disclosure documents, can be obtained on SEDAR at www.sedar.com. If you require a hard copy of any of these documents please call the Corporation's main office number (403)262-3132.

Special Note

Disclosure provided herein in respect of barrels of oil equivalent ("Boe") may be misleading, particularly if used in isolation. A Boe conversion ratio for natural gas of 6 Mcf: 1 Bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalence at the wellhead.

Non- GAAP Measures

Management's Discussion and Analysis contains the term "funds from operations", which should not be considered an alternative to, or more meaningful than "cash flow from operating activities" as determined in accordance with GAAP as an indicator of the Corporation's financial performance. Funds from operations is determined by adding non-cash expenses to the net income of loss for the period, deducting asset retirement expenditures and does not include the change in working capital applicable to operating activities. Management believes that in addition to cash flow from operating activities, funds from operations is a useful supplemental measure as it provides an indication of the results generated by Primary's principal business activities before the consideration of how such activities are financed. The Corporation's determination of operating and corporate netbacks may not be comparable to that reported by other companies.

The Management Discussion and Analysis uses the terms "Netback" and "Operating Netback". These terms, which the Corporation believes provide useful and relevant information, should no be considered an alternative to, or more meaningful than "cash flow from operating activities" as determined in accordance with GAAP as an indicator of the Corporation's financial performance. Management believes Netback and Operating Netback are useful supplemental measures as they provide information on the cash generating ability of the Corporation's principal operations. Operating netback is calculated by deducing royalties and operating costs from revenues. The Corporation's determination of operating netback may not be comparable to that reported by other companies.

Evaluation of Effectiveness of Disclosure Controls and Procedures

Management has established and maintains disclosure controls and procedures for the Corporation in order to provide reasonable assurance that material information relating to the Corporation is made known to it in a timely manner. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of November 30, 2008, and have concluded that the Corporation's disclosure controls and procedures provide reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, would be made known to them by others within those entities, particularly during the period in which this report was being prepared.

Internal Controls Over Financial Reporting

Management is responsible for the design of internal controls over financial reporting within the Corporation in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management has designed the Corporation's internal controls and procedures over financial reporting as of the end of the period covered by this interim filing and believes the design to be sufficient to provide such reasonable assurance. The design of the internal controls and procedures by their nature have inherent limitations and may be restricted due to lack of segregation of duties, caused by a lack of human resources, and that the employees and consultants the Corporation utilizes in its operations are not experts in all areas of their individual responsibility. In addition the Corporation utilizes the services of third party experts to evaluate and provide certain data which is integral to the preparation and reporting of financial information. The information is reviewed by the Corporation's personnel for reasonableness; however there is no assurance of the accuracy or completeness of the information. There have been no changes in the Corporation's internal controls over financial reporting during the three months ended August 31, 2008, that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Forward-looking Statements

Certain statements contained in this Interim Report constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Interim Report should not be unduly relied upon. These statements speak only as of the date of this Interim Report. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements.

In particular, this Interim Report contains forward-looking statements pertaining to the following:

- oil and natural gas production levels;
- capital expenditure programs;
- market prices and costs;
- supply and demand for oil and natural gas;
- operating, general and administrative and income tax expenses;
- operating netbacks;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development; and
- treatment under government regulatory and taxation regimes.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Management Discussion and Analysis or this Interim Report:

- volatility in market prices for oil and natural gas;
- liabilities and risks inherent in oil and natural gas operations;
- uncertainties associated with estimating reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions; and
- geological, technical, drilling and processing problems.

Financial Results

Primary's operational results have improved significantly from those of one year ago, which is principally due to the acquisition of AP Petroleum Corporation LLC ("AP") in December, 2007. The production from AP and higher commodity prices have reduced operating losses by approximately 50%

For the three months ended November 30, 2008, Primary recorded a net loss of \$361,649 (\$0.01 per share) compared to a net loss of \$723,884 (\$0.02 per share) for the corresponding period in fiscal year 2008. Funds used in operations for the second quarter of 2009 were \$60,141 (\$0.00 per share) versus funds used in operations \$438,579 (\$0.01 per share) in fiscal year 2008. The amounts per share are based on a weighted average number of shares outstanding of 43,696,847 and for fiscal year 2008 based on 34,573,262.

In the first half of fiscal 2009 the Corporation incurred a net loss of \$666,476 (\$0.02 per share) compared to the net loss of \$1,362,466 (\$0.05 per share) for the corresponding period in fiscal 2008. Funds applied to operations during the six months ended November 30, 2008 were \$36,691 (\$0.00 per share) compared to \$699,744 (\$0.02 per share) used in operations for the six months ended November 30, 2007. For the first half of fiscal year 2009 the amounts per share are based on a weighted average number of shares outstanding of 44,192,071 and for 2008 based on 30,724,874.

Volumes, Revenue and Prices

Q2

Sales volumes for the three months ended November 30, 2008 were 94 Boe/d consisting of 7 Bbls/d of oil and NGLs and 519 Mcf/d of natural gas. During the second quarter of fiscal year 2008 sales volumes were 57 Boe/d or 340 Mcf/d of natural gas. Natural gas has been converted to a barrel of oil equivalent at a ratio of 6 Mcf to 1 Boe.

Oil and gas revenues for the second quarter of fiscal year 2009, were \$374,183 compared to \$162,398 for the corresponding period in fiscal year 2008. The increase is due to higher commodity prices and increases in sales volumes, which are attributed to the acquisition of AP. The Corporation received average prices of \$94.41 per barrel of oil and NGLs and \$6.61 per Mcf of natural gas during the three months ended November 30, 2008. For the same period of fiscal year 2008, Primary received an average price \$5.25 per Mcf of natural gas, there were no oil and NGL sales in the period.

YTD

Volumes for the first half of fiscal year 2009 averaged 7 Bbls/d of oil and NGLs and 525 Mcf/d of natural gas or 95 Boe/d. For the previous year, sales volumes averaged 335 Mcf/d of natural gas or the equivalent of 56 Boe/d.

Revenues for the first half of fiscal year 2009 were \$915,648 which is 180% increase over the \$326,688 reported for the corresponding period in fiscal year 2008. The increase resulted from increased commodity prices and the AP acquisition. Average prices for the first half of 2009 were \$106.81/Bbl of

oil and NGLs and \$8.08/Mcf of natural gas. Natural gas was \$5.33/Mcf during the first half of fiscal year 2008.

Royalties

Q2

Royalties averaged 13.5% of revenues or \$5.93 per Boe for the three months ended November 30, 2008. This rate is slightly lower than Q1/09 due to the receipt of an unrecognized ARTC credit relating to 2006. Lower royalty rates in Montana have had a positive effect of lowering the corporate royalty rate and improve the Corporation's operating netback. Royalties for the second quarter of fiscal year 2008 averaged \$15.48 per Boe.

YTD

In the first half of fiscal year 2009 royalties averaged 16.1% or \$8.53 per Boe versus \$14.70 for the initial six months of fiscal 2008. The lower rate is directly attributed to the increased production in Montana resulting from the AP acquisition in late 2007.

Operating Expenses

Q2

Operating expenses for the second quarter of fiscal year 2009 were \$88,786 or \$10.41 per Boe compared \$29,615 or \$5.75 three months ended November 30, 2007. The increase in total expenses is due to the acquisition of AP Petroleum in December, 2007 and costs of new oil production at Highview, Montana.

YTD

For the six months ended November 30, 2008, operating costs were \$161,072 or \$9.30 per Boe versus \$46,610 or \$4.57 per Boe for the six months ended November 30, 2007. The addition of oil production contributed to the increase on a per unit basis particularly trucking and water disposal costs.

Operating Netbacks

Q2

During the second quarter of fiscal year 2009, operating netbacks (oil and gas revenues net of royalties and operating costs) averaged \$27.54 per Boe compared to \$10.28 per Boe for the corresponding period in fiscal year 2008. Increased commodity prices, lower royalty rates and the introduction of oil production contributed to the higher netbacks in Q2/09.

YTD

In the first half of fiscal year 2009, operating netbacks increased to \$35.04 per Boe from the \$12.74 per Boe reported for the first half of 2008. The increase is due to higher commodity prices, lower royalty rates and the addition of oil production.

General and Administrative Expenses

Q2

As a junior oil and gas company in its early years of development, general and administrative expenses as a percentage of revenue or on a per unit cost of production are significantly higher than those of an established oil and gas company. For the second quarter of 2009, general and administrative costs, net of capitalized costs, were \$291,266 compared to \$429,816 for the second quarter of fiscal year 2008. Commencing in fiscal year 2009 Primary commenced capitalizing certain general and administrative costs related to the development of future exploration and development prospects. These costs amounted to \$98,099 for Q2/09.

As additional production comes on stream, general and administrative costs are expected to be more

comparable to those of more established oil and gas companies.

YTD

During the first half of fiscal year 2009, Primary incurred \$596,141 of general and administrative costs, net of capitalized costs of \$187,634. Costs for the six months ended November 30, 2007, were \$768,418 during which costs related to exploration and development activities were expensed.

Stock Based Compensation Expense

Stock based compensation expense represents the amortization of the fair value of stock options issued to directors, employees and consultants, over the vesting period of the options. The Corporation recorded stock based compensation expense of \$74,970 during the three months ended November 30, 2008 compared to \$10,078 for the three months ended November 30, 2007. Year-to-date 2009 Primary recorded stock based compensation expense of \$175,521 compared to \$177,062 for the corresponding period in 2008.

Interest and Accretion Expense

Q2

Interest expense of \$63,486 in Q2/09 relates to the Corporation's credit facility of \$2,000,000. Interest and accretion expense in Q2/08 of \$127,957 relates to credit facility and the \$2,250,000 convertible notes liability. The notes were converted to common shares of the Corporation during the first quarter of 2009.

YTD

In the first half of 2009, the Corporation incurred interest expense of \$124,061 compared to interest and accretion expense of \$166,289 for six months ended November 30, 2008.

Depletion, Depreciation and Accretion

Q2

Depletion, depreciation and accretion expense for the three months ended November 30, 2008 was \$226,538 or \$26.57 per Boe compared to \$187,971 or \$36.47 per Boe for the second quarter of fiscal year 2008. The quarter over quarter decrease in the expense per Boe is a result of the AP acquisition in December, 2007 and increase reserves at a lower finding cost.

YTD

For the six months ended November 30, 2008, Primary recorded depletion, depreciation and accretion expense of \$454,264 or \$26.22 per Boe of production. For the similar period ended November 30, 2007, depletion, depreciation and accretion expense was \$349,611 or \$34.25 per Boe.

Income Taxes

The Corporation did not incur current taxes for the first half of both fiscal year 2009 or 2008. Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Outlook

Primary is currently working towards bringing on additional production in Swimming and Twin Lakes areas of east central Alberta, which is expected to add an additional 250 – 300 Mcf/d of natural gas in early February, 2009 and an addition 300 – 400 Mcf/d throughout the fourth quarter and early in Q1/2010. These estimates are based on internal interpretations of drilling and test data; actual production rates may vary from these estimates. Primary's share of the cost to bring this production on stream is estimated to be \$200,000 in Q3 and an additional \$200,000 in Q4/09. During the second quarter of 2009, the Corporation shut-in its Highview oil production in Montana as it was no longer economic due to

declining production rates and fixed operating costs.

In recent months the oil and gas industry has seen a significant decline in commodity prices from the highs experienced earlier in 2008. Commodity prices have continued to decline since November 30, 2008, which will have a diminishing effect on Primary's revenue stream for the foreseeable months. The decline in the value of the Canadian dollar against the United States dollar has lessened the impact of the declining gas prices for our U.S. production. The Corporation has no control over commodity prices and currency exchange rates and therefore we cannot predict the prices it will receive for its future production. The Corporation currently does not have any plans to enter into future oil and gas contracts or hedging prices in fiscal year 2009.

The New Royalty Framework ("NRF") introduced by the Government of Alberta in October, 2007 and which came into force January 1, 2009, is not expected to have a material effect on Primary's Alberta production. Crown royalties charged by the Province of Alberta are based on a sliding scale dependent on price and production volumes. Royalties on the Corporation's Alberta production are expected to decline however, with additional production expected to come on stream during the second half of fiscal year 2009, the overall per unit royalty expense is expected to increase as Alberta royalties will remain higher than those on the U.S. production.

The elimination of the operating costs associated with Primary's oil well at Highview, shut-in since the end of October, 2008, is expected to decline the cost per unit of production for the balance of 2009. Future operating costs are expected to increase as additional gas wells are brought on stream.

General and administrative costs are not expected to change materially during the second half of fiscal year 2009.

Primary expects to incur interest expense throughout the balance of fiscal year 2009 and the amount of interest will be dictated by the Corporation's ability to replace its existing credit facility with a less costly alternative credit facility. Due to declining economic conditions the Corporation was not able to complete its plans to finalize an alternative arrangement to replace its existing credit facility. As a result it was necessary to negotiate an extension of its existing credit facility to March 31, 2009. The cost associated with the extension was an increase in the interest rate to 18% per annum and backend fee of \$140,000 payable at March 31, 2009. The Corporation continues its efforts to finalize less expensive financing alternatives.

Depletion, depreciation and accretion expense on a per unit basis is not expected to change materially from current levels however the expense will increase as additional production is brought on stream.

Liquidity and Capital Resources

Primary had a working capital deficiency of \$1,792,240 as at November 30, 2008, including a credit facility of \$2,000,000, which was due November 15, 2008 and has been extended to March 31, 2009. The Corporation is in discussion with various institutions to replace this facility with a new and less onerous credit facility. The Corporation has received queries from interest parties to acquire certain of Primary's undeveloped lands in Montana.

The Corporation's capital expenditure program throughout 2009 will be focused on projects that qualify for renunciation of the \$625,000 of flow-through share proceeds received in November and December, 2008; to date approximately \$117,000 qualifying expenditures have been incurred. Other projects, including the tie-in of proven gas reserves currently behind pipe, will be financed from cash flow, disposition of unproved properties, alternative financing arrangements and possible equity issues.

Capital Expenditures

In the three and six months ended November 30, 2008, Primary incurred capital expenditures of \$187,342 and \$832,853, respectively. This compares to \$1,854,903 and \$2,846,210 respectively, for the

corresponding periods for fiscal year 2008.

Capital expenditures for the three and six months ended November 30, 2008 and 2007 were as follows:

	Three months ended November 30,		Six months ended November 30,	
	2008	2007	2008	2007
Land	\$ 2,750	\$ 622,324	\$ 123,376	\$ 1,129,039
Geological and geophysical	-	1,083,352	308,401	1,175,356
Intangible drilling and completions	85,971	137,513	188,393	524,778
Equipment and facilities	-	7,457	24,100	9,304
Capitalized general and administrative	98,099	-	187,634	-
Furniture and equipment	522	4,257	949	7,733
Net change	\$ 187,342	\$ 1,854,903	\$ 832,853	\$ 2,846,210

Share Capital Data

The Corporation is authorized to issue an unlimited number of common voting shares. Share capital at November 30, 2008 and changes thereto since May 31, 2008, is detailed in note 9 of the Corporation's November 30, 2008 consolidated financial statements.

Related Party Transactions

For the three months ended November 30, 2008 and 2007, remuneration to management totaling \$117,193 and \$60,000 respectively, were charged to the Corporation by companies controlled by directors and officers of the Corporation. For the first half of fiscal year 2009 and 2008, management fees totaling \$206,832 and \$120,000 respectively, were charged to the Corporation by companies controlled by directors and officers of the Corporation.

Off Balance Sheet Arrangements

The Corporation does not have any special purpose entities nor is it party to any arrangement that would be excluded from the balance sheet.

Contractual Obligations

The Corporation has a five year lease agreement expiring on March 1, 2012 with a minimum rent of \$123,172 per annum excluding operating costs.

The Corporation is required to repay its existing credit facility of \$2,000,000 together with a backend extension fee of \$140,000 on or before March 31, 2009.

Application of Critical Accounting Estimates

Critical Accounting Estimates

Full Cost Accounting Guideline AcG-16

For purposes of financial statements, companies are required to review the carrying value of their assets relative to their recoverable amount. Under the Full Cost Accounting Guideline AcG-16 the guideline amends the ceiling test calculation to be a two part process. The first part, the recognition of impairment, is determined by comparing the carrying amount of petroleum and natural gas properties and equipment to the sum of the undiscounted cash flows expected to result from the Corporation's proved reserves. Cash flows are calculated based on third party quoted forward prices, adjusted for the Corporation's

contract prices and quality differentials. If there is impairment, the second part of the calculation would measure the magnitude of the impairment by comparing the carrying amount of petroleum and natural gas properties and equipment to the estimated net present value of future cash flows from proved plus probable reserves. A risk free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying value above the net present value of the future cash flows would be recorded as a permanent impairment and charged as additional depletion, depreciation and accretion expense in the statement of operations.

Petroleum and Natural Gas Reserves

All of Primary's petroleum and natural gas reserves are evaluated and reported on by independent petroleum engineers. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Corporation expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward and downward based on the results of future drilling, testing or production levels.

Depletion, Depreciation and Accretion Expense

The Corporation uses the full cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized, whether successful or not. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development costs is amortized using the unit-of-production method based on estimated proved reserves. Changes in estimated proved reserves or future development costs have a direct impact on depletion and depreciation expense.

Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or for impairment which would be included in depletion and depreciation expense.

New Accounting Standards

On June 1, 2008, the Corporation adopted the new accounting standards for Financial Risk Exposure, Capital Management and Fair Value Financial Instruments. The adoption of these accounting standards had no material impact on the Corporation's net income or cash flows.

Financial Risk Exposure

The new standard requires identification and disclosure of the principal financial risks faced by the Corporation in the course of its activities. These risks include credit risk, liquidity risk and market risk including commodity price risk, foreign exchange risk and interest rate risk.

Capital Management

The new standard requires disclosure as to the capital structure by the Corporation to ensure a strong capital base is maintained and disclosure of the measurement criteria by the Corporation to monitor the strength of the Corporation's capital structure.

Financial Instruments – Fair Value

The new standard requires the identification of all financial instruments and the allocation of those instruments into one of five categories.

International Accounting Standards

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with International Financial Reporting Standards ("IFRS") for all Canadian Publicly

Accountable Enterprises (“PAE”). On February 13, 2008 the AcSB confirmed January 1, 2011 as the official changeover date for PAEs to commence reporting under IFRS. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS. The Corporation is currently in the process of assessing the impact of IFRS on its financial statements.

Risks

The following is a summary of the various risks that are associated with exploration, development and production of oil and natural gas. Exploration for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered by the Corporation. The following review and commentary cannot be considered to be exhaustive as the Corporation cannot foresee what new and novel risks may emerge overtime that could adversely impact the Corporation or its assets.

Exploration, Development and Production

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by Primary will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretation thereof. Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Operating Hazards

Oil and natural gas operations are subject to the risks of exploration, development and production of oil and natural gas properties including encountering unexpected formations or pressures critical sour operations, premature declines of reservoirs, blow outs, cratering, sour gas release, fires and spills, losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids and the future cash flows to be derived there from, including many factors beyond our control. The reserves and associated cash flows are estimates only. The Corporation’s actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

Substantial Capital Requirements; Liquidity

Primary anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If Primary’s revenues or reserves decline, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs.

Industry Factors

The crude oil and natural gas industry is highly competitive and the Corporation must compete with many companies with greater financial and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential. The marketability and price of crude oil and natural gas which may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. The ability of the Corporation to market its

natural gas may be dependent upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Prices paid for both crude oil and natural gas produced are subject to market fluctuations which will directly affect the profitability of producing any crude oil or natural gas reserves which may be acquired or developed by the Corporation. The oil and natural gas industry has been subject to considerable price volatility over which companies have little control. A material decline in prices could result in a decrease in Primary's production revenue. The oil and natural gas industry is also subject to extensive government policies and regulations, which result in additional cost and risk for industry participants.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Critical Change and in December 2002 the Government of Canada ratified the Kyoto Protocol and it became binding on February 16, 2005. The protocol calls for Canada to reduce its greenhouse gas emissions to 6% below 1990 levels during the period 2008 to 2012. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on Primary or its financial condition.

Geo-political Risks

The marketability and price of oil and natural gas that may be acquired, discovered and produced by the Corporation is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation's production revenues. In addition, the Corporation's oil and natural properties, wells and facilities could be subject to terrorist attack

Reliance on Key Personnel

The Corporation's success depends, to a significant extent, upon management and key employees. There is no assurance that the Corporation will successfully retain existing personnel or attract additional personnel required to continue to expand its business and to successfully execute its business strategy.

Dependence on Economic Conditions

The Corporation's success in its marketing efforts of its products will be dependent to some extent upon the economic conditions affecting marketplace. The Corporation has no control over these economic conditions.

Operational Matters

The Corporation does not operate all of its oil and natural gas wells and accordingly the ability of the Corporation to produce such wells and market its share of production is dependent upon third party operators over which it does not have any control.

January 26, 2009