PetroFrontier

Condensed Consolidated Interim Financial Statements

for the three months Ended

March 31, 2011 and 2010

(Unaudited)

PetroFrontier Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(Canadian Dollars)

(Unaudited)

As at	**March 31, 2011**	December 31, 2010	January 1, 2010
ASSETS			
Current			
Cash and cash equivalents	**53,067,436**	55,710,522	8,279,000
Restricted cash	**57,891**	58,467	-
Accounts receivable	**1,195,974**	1,675,441	10,919
Prepaid expenses and deposits	**371,210**	321,411	-
	54,692,511	57,765,841	8,289,919
Corporate assets (Note 5)	**1,924**	2,050	
Exploration and evaluation assets (Note 5)	**11,233,485**	10,213,926	2,129,008
	65,927,920	67,981,817	10,418,927
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**1,759,368**	2,764,508	78,347
SHAREHOLDERS' EQUITY			
Share capital (Note 6)	**68,137,645**	68,110,645	10,411,608
Contributed surplus (Note 6)	**2,908,156**	2,132,585	252,249
Accumulated other comprehensive income (Note 6)	**637,945**	789,146	285,608
Deficit	**(7,515,194)**	(5,815,067)	(608,885)
	64,168,552	65,217,309	10,340,580
	65,927,920	67,981,817	10,418,927

See accompanying notes to the condensed consolidated interim financial statements

Commitments (Note 10)

Subsequent events (Note 13)

PetroFrontier Corp.

CONDENSED CONSOLIDATED INTERIM
STATEMENT OF COMPREHENSIVE LOSS
(Canadian Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
EXPENSES		
General and administrative	**748,644**	261,828
Share-based compensation (Note 6)	**775,571**	67,583
Depreciation	**126**	126
Acquisition costs (Note 7)	**295,845**	**-**
Results from operating activities	**1,820,186**	329,537
Finance income	**121,888**	**-**
Finance costs	**(1,829)**	(854)
Net finance income (costs)	**120,059**	(854)
NET LOSS	**(1,700,127)**	(330,391)
OTHER COMPREHENSIVE EARNINGS		
Foreign exchange loss on translation of foreign operations	**(151,201)**	(1,349)
COMPREHENSIVE LOSS	**(1,851,328)**	(331,740)
Deficit, beginning of period	(5,815,067)	(608,885)
Deficit, end of period	**(7,515,194)**	(939,276)
Net loss per share		
Basic and diluted (Note 6)	**0.04**	0.03

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONDENSED CONSOLIDATED INTERIM
STATEMENT OF CASH FLOWS
(Canadian Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Cash provided by (used in)		
OPERATING		
Net loss	(1,700,127)	(330,391)
Share-based compensation	775,571	67,583
Depreciation	126	126
Net finance (income) costs	(120,059)	854
	(1,044,489)	(261,828)
Change in non-cash working capital (Note 8)	(418,756)	(45,714)
	(1,463,245)	(307,542)
FINANCING		
Exercise of Pendulum agent's options	27,000	-
Interest paid	(1,829)	(854)
	25,171	(854)
INVESTING		
Exploration and evaluation expenditures	(1,161,209)	(26,508)
Interest received	69,638	-
Changes in non-cash working capital (Note 8)	(113,441)	(6,445)
	(1,205,012)	(32,953)
Decrease in cash and cash equivalents	(2,643,086)	(341,349)
Cash and cash equivalents, beginning of the period	55,710,522	8,279,000
Cash and cash equivalents, end of the period	53,067,436	7,937,651

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Canadian Dollars)
(Unaudited)

	Share Capital	**Contributed Surplus**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total Equity**
Balance at January 1, 2011	68,110,645	2,132,585	789,146	(5,815,067)	65,217,309
Net loss				(1,700,127)	(1,700,127)
Foreign exchange loss on translation of foreign operations			(151,201)		(151,201)
Issued on exercise of Pendulum agent's options	27,000				27,000
Share-based compensation		775,571			775,571
Balance at March 31, 2011	**68,137,645**	**2,908,156**	**637,945**	**(7,515,194)**	**64,168,552**
Balance at January 1, 2010	10,411,608	252,249	285,608	(608,885)	10,340,580
Net loss				(330,391)	(330,391)
Foreign exchange loss on translation of foreign operations			(1,349)		(1,349)
Share-based compensation		67,583			67,583
Balance at March 31, 2010	10,411,608	319,832	284,259	(939,276)	10,076,423

See accompanying notes to the condensed consolidated interim financial statements

1. REPORTING ENTITY

PetroFrontier Corp. (the "Corporation") was incorporated in Alberta, Canada on February 6, 2009 under the name Australia Energy Corp. On December 31, 2010, the Corporation amalgamated with Pendulum Capital Corporation and filed articles of amalgamation to change its name to PetroFrontier Corp. The Corporation's registered office is 320, 715 – 5th Avenue S.W. Calgary, Alberta, Canada T2P 2X6. The Corporation is engaged in the business of international petroleum exploration in Northern Territory, Australia, through its wholly owned subsidiary, PetroFrontier (Australia) Pty. Ltd. ("PetroFrontier Australia"). The consolidated interim financial statements of the Corporation as at and for the three months ended March 31, 2011 comprise the Corporation and PetroFrontier Australia and unless otherwise indicated the term "Corporation" refers to both the Corporation and PetroFrontier Australia.

2. EXPLORATION STAGE CORPORATION

The Corporation is engaged primarily in the pursuit of petroleum and natural gas through exploration in the Northern Territory, Australia. Since inception, the efforts of the Corporation have been devoted to the pursuit of petroleum exploration licenses, land access agreements with aboriginal stakeholders, and initial stage seismic acquisition. To date, the Corporation has not earned revenue from these operations and is considered to be in the exploration stage. The recoverability of the costs incurred to date is uncertain and dependent upon achieving commercial production or sale, the ability of the Corporation to obtain sufficient financing to fulfill its obligations under the petroleum exploration licenses and upon future profitable operations.

These condensed consolidated interim financial statements have been prepared by management in accordance with accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. At March 31, 2011, the Corporation had working capital of $52,933,143, a deficit of $7,515,194 and a net loss for the three months ended March 31, 2011 of $1,700,127. The Corporation's petroleum licenses are in the exploration stage.

The Corporation is dependent upon obtaining sufficient financing to fulfill its obligations under its petroleum exploration licenses and upon future profitable operations. During December 2010, the Corporation closed a series of private placement offerings for gross proceeds of $58,500,000 through the issuance of 29,250,000 common shares of the Corporation at $2.00 per common share. With current working capital on hand, the Corporation has adequate funding to provide for general operations and to meet the Corporation's minimum work requirements with the government of the Northern Territory of Australia for a period of at least 12 months.

3. BASIS OF PRESENTATION

A) Statement of compliance

These condensed consolidated interim financial statements for the three months ended March 31, 2011 and comparable periods are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRSs") and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. Previously, the Corporation prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The adoption of IFRS resulted in selected changes to the Corporation's accounting policies as compared to those disclosed in the Corporation's annual audited Consolidated Financial Statements for the period ended December 31, 2010 issued under Canadian GAAP. A summary of the significant changes to the accounting policies are presented in note 11 along with reconciliations illustrating the impact of the transition to IFRS for the comparable periods as at January 1, 2010, as at and for the three months ended March 31, 2010 and for the year ended December 31, 2010.

The consolidated interim financial statements were authorized for issue by the Audit Committee on June 14, 2011.

B) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments held for trading are measured at fair value through profit or loss

C) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

D) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements is included in the following notes:

Note 4 E) – valuation of exploration and evaluation costs
Note 4 H) – provisions and contingencies
Note 4 I) – utilization of tax losses
Note 4 L) – measurement of share-based payments

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently by the Corporation.

A) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The accounting policies of subsidiaries have been changed when necessary to align with the policies adopted by the Corporation.

(ii) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Corporation controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Corporation incurs and its share of the income that it earns from the joint operation.

(iii) Transactions eliminated on consolidation

All intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

B) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Corporation's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

C) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments consist of cash and cash equivalents, accounts receivable, bank debt and accounts payable. Non-derivative financial instruments are recognized initially at fair value plus any direct attributable transaction costs unless the non-derivative financial instrument is designated at fair value through profit or loss. Subsequent measurement is then based on each financial instrument being classified into one of five categories; held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Corporation has measured its accounts receivable, bank debt and accounts payable at amortized cost using the effective interest rate method less any impairment losses. Cash and cash equivalents include cash on hand, term deposits held with banks and other short-term highly liquid investments.

(ii) Derivative financial instruments

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

D) Property, plant and equipment

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any asset retirement obligations, and borrowing costs for qualifying assets, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within oil and gas properties.

Depletion of oil and natural gas assets and depreciation of production equipment are calculated using the unit-of-production method, based on volumes of total proved and probable oil and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. The depletable base includes all capitalized costs, estimated future development costs of proved and probable undeveloped reserves, and future estimated asset restoration costs. Computer and office equipment are recorded at cost and amortized on a declining basis using a rate of 20 – 50% per annum. Leasehold improvements are recorded at cost and amortized over the remaining term of the office lease or the estimated useful life, if shorter.

An asset within oil and gas properties is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period in which the item is derecognized.

The Corporation assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication of impairment exists, the Corporation makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (the "cash-generating unit" or "CGU").

A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and its assets are written down to the CGU's recoverable amount. Value in use is generally computed by reference to the present value, using a pre-tax discount rate that reflects current market assessments of the time value of money, of the future cash flows expected to be derived from production of proven and probable reserves. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been objective evidence of a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

E) Exploration and evaluation assets

Exploration license and leasehold property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Intangible exploration costs do not include general prospecting or other evaluation costs incurred prior to receiving the legal rights to explore an area, which are expensed when incurred.

Exploration and evaluation costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the associated oil and gas interests. If no future activity is planned, the capitalized costs are expensed. Upon commercial viability, technical feasibility and internal approval for development, the related capitalized costs are first tested for impairment and then reclassified to property, plant and equipment. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved reserves are determined to exist.

F) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities and contingent liabilities incurred or assumed at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. At the acquisition date, any goodwill is allocated to a CGU or a group of CGUs expected to benefit from the combination’s synergies.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assessed for impairment annually at year end or more frequently if events occur that indicate a possible impairment. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the cash-generating unit or units with allocated goodwill is less than the carrying amount, an impairment loss of goodwill is recognized.

G) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Provisions are not recognized for future operating losses.

Asset retirement obligations

The Corporation’s activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of asset retirement and capitalized in the relevant asset category. Asset retirement obligations are Management’s best estimate of the future costs associated with removal, site restoration and asset retirement. The fair value of the liability for the Corporation's asset retirement obligations is recorded in the period in which it is incurred, discounted to its present value using a risk-free interest rate and the corresponding amount is recognized by increasing the carrying amount of oil and gas properties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is recognized as a finance cost in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the provision. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent of the liability recorded.

H) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Corporation uses the balance sheet method for calculating deferred income taxes. Temporary differences arising from the differences between the tax basis of an asset or liability and the carrying amount on the balance sheet are used to calculate deferred income tax assets or liabilities. Deferred income tax assets or liabilities are calculated using the currently enacted, or substantively enacted, tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. A deferred income tax asset is recognized if it is probable that future taxable profit will be available which the Corporation can utilize the benefit. The effect of a change in income tax rates on deferred income tax assets and liabilities is recognized in the period that the change occurs. Interpretation of tax regulations and legislations in the jurisdictions in which the Corporation operates are subject to change, as such income taxes are subject to measurement uncertainty.

I) Finance income and costs

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

J) Per share amounts

The Corporation presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all potentially dilutive common shares, which comprise warrants and share options granted to employees.

K) Share-based compensation plan

The Corporation has a share-based compensation plan enabling officers, directors, employees and key consultants to purchase common shares at exercise prices equal to the price determined by the directors on the date the option is granted. Stock option awards are accounted for based on the fair value method of accounting (Note 6). Under this method, share-based compensation is recorded as an expense over the vesting period of the option, with a corresponding increase in contributed surplus. Share-based compensation is based on the estimated fair value of the related stock option at the time of the grant using the Black-Scholes option model, except for stock options granted to consultants that are revalued at subsequent reporting dates. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. When stock options are exercised, the consideration paid to the Corporation, along with amounts previously credited to contributed surplus, is credited to share capital.

Compensation costs recognized for share-based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as Black-Scholes option model, which is based on significant assumptions such as volatility, dividend yield and expected term.

L) New standards and interpretations not yet adopted

IFRS 9 Financial Instruments, as issued in November 2009 and revised in October 2010 is required to be adopted by 2013, subject to confirmation by the International Accounting Standards Board. The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 and divides all financial assets that are currently in the scope of IAS 39 into two classifications; amortized cost and those measured at fair value. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

5. PROPERTY, PLANT AND EQUIPMENT

	Exploration & Evaluation Assets	Corporate Assets
	($)	**($)**
Cost:		
At January 1, 2010	2,129,008	-
Additions	8,084,918	2,563
At December 31, 2010	10,213,926	2,563
Additions	1,019,559	-
At March 31, 2011	**11,233,485**	**2,563**
Accumulated depreciation:		
At January 1, 2010	-	-
Depreciation	-	(513)
At December 31, 2010	-	(513)
Depreciation	-	(126)
At March 31, 2011	-	**(639)**
Net Book Value:		
At March 31, 2011	**11,233,485**	**1,924**
At December 31, 2010	10,213,926	2,050
At January 1, 2010	2,129,008	-

No amounts relating to general and administrative expenses or share-based compensation were capitalized in 2011 or 2010.

6. SHAREHOLDERS' EQUITY

A) Authorized

Unlimited number of common voting shares, no par value.
Unlimited number of preferred shares, no par value, issuable in series.

B) Common shares, issued and outstanding

	Period Ended March 31, 2011		Year Ended December 31, 2010	
	Number of shares	**Amount ($)**	Number of shares	Amount ($)
Common Shares				
Balance, beginning of period	**47,730,134**	**68,110,645**	7,000,000	288,328
Consolidation of outstanding common shares (1-for-12 basis)	**-**	**-**	(6,416,667)	-
Listing fee consideration	**-**	**-**	-	878,338
Shares issued to acquire outstanding shares of AEC	**-**	**-**	47,146,801	66,943,979
Exercise of Pendulum agent's options	**22,500**	**27,000**	-	-
Balance, end of period	**47,752,634**	**68,137,645**	47,730,134	68,110,645

For the three months ended March 31, 2011, 22,500 Pendulum agent's options were exercised. As at March 31, 2011, there were 58,333 Pendulum stock options and 2,500 Pendulum agent's options outstanding.

C) Stock options

Employees, officers, directors and consultants of PetroFrontier may be granted options to purchase common shares. Options granted typically have a term of five years to expiry and vest equally over a two year period on the basis of one-third on the date of grant, one-third on the first anniversary date of the grant, and one-third on the second anniversary date of the grant. The exercise price of each option equals the market price of the Corporation's common shares on the date of grant.

The following table summarizes the changes to the Corporation's option plan for the quarter ended March 31, 2011:

	Number of options	**Weighted average price ($)**
Balance, December 31, 2010	**4,040,000**	1.52
Granted	**200,000**	2.80
Balance, March 31, 2011	**4,240,000**	1.58

The following table summarizes stock options outstanding and exercisable under the plan as at March 31, 2011:

	Options outstanding			Options exercisable	
Exercise price	**Number outstanding at period end**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable at period end**	**Weighted average exercise price**
$0.25	220,000	2.9	$0.25	220,000	$0.25
$1.00	1,375,000	3.9	$1.00	718,333	$1.00
$1.20	230,000	2.9	$1.20	230,000	$1.20
$2.00	2,315,000	4.7	$2.00	771,659	$2.00
$3.60	100,000	4.9	$3.60	33,333	$3.60
	4,240,000	**4.3**	**$1.58**	**1,973,325**	**$1.37**

D) Share-based compensation

The Corporation accounts for its share-based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period for stock options granted to employees, officers, directors and consultants of PetroFrontier, with a corresponding increase to contributed surplus.

The following table summarizes the changes in contributed surplus:

	March 31, 2011	December 31, 2010
	($)	($)
Balance, beginning of period	**2,132,585**	252,249
Share-based compensation expense	**775,571**	1,993,107
Exercise of stock options	-	(112,771)
Balance, end of period	**2,908,156**	2,132,585

The fair value of the options granted during the quarter ended March 31, 2011 was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	March 31, 2011	**December 31, 2010**
Risk free interest rate (%)	**2.27**	2.26
Expected life (years)	**5.00**	5.00
Expected volatility (%)	**103**	104
Expected dividends	**-**	-
Weighted average fair value of options granted	**$2.14**	$1.34

E) Per common share amounts

The basic weighted average number of common shares outstanding for the quarters ended March, 2011 and 2010 were 47,746,301 and 12,412,135, respectively. The Corporation has recorded a loss for the quarters ended March 31, 2011 and 2010 and as such no addition is made to the basic weighted average number of common shares when calculating diluted weighted average number of common shares as the diluted per common share amounts are anti-dilutive.

F) Accumulated other comprehensive income

	March 31, 2011	December 31, 2010
	($)	($)
Balance, beginning of period	**789,146**	285,608
Foreign exchange gain (loss) on translation of foreign operations	**(151,201)**	503,538
Balance, end of period	**637,945**	789,146

G) Management of capital structure

The Corporation's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Corporation considers its capital structure to include shareholders' equity of $64,168,552 and $65,217,309 and working capital of $52,933,143 and $55,001,333 as at March 31, 2011 and December 31, 2010, respectively.

As the Corporation is in the exploration phase and has not yet generated funds from operations, it is unable to monitor capital based on the ratio of net debt to annualized funds generated from operations. Therefore, the Corporation monitors capital based on the projected rate of capital spending and available funds on hand. In order to adjust the capital structure, the Corporation may from time to time issue shares and/or adjust its capital spending levels.

During December 2010, the Corporation closed a series of private placement offerings for gross proceeds of $58,500,000 through the issuance of 29,250,000 common shares of the Corporation at $2.00 per common share. With current working capital on hand, the Corporation has adequate funding to provide for general operations and to meet the Corporation’s minimum work requirements with the government of the Northern Territory of Australia for a period of at least 12 months.

7. ACQUISITION COSTS

For the three months ended March 31, 2011, the Corporation incurred $295,845 of expenses related to the acquisition of Texalta Petroleum Ltd. (“Texalta”) that closed on May 31, 2011 (Note 13). Acquisition costs are expensed as incurred and are not part of the consideration transferred on completion of the acquisition.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Period Ended March 31	
	2011	2010
Accounts receivable	**531,717**	(6,445)
Prepaid expenses and deposits	**(49,799)**	-
Accounts payables and accrued liabilities	**(1,005,140)**	(44,344)
Foreign exchange	**(8,975)**	(1,370)
Change in non-cash working capital	**(532,197)**	(52,159)
Relating to:		
Operating activities	**(418,756)**	(45,714)
Investing activities	**(113,441)**	(6,445)
	(532,197)	(52,159)

9. RELATED PARTY TRANSACTIONS

In accordance with the terms of an Administrative Services Agreement (“ASA”), Rodinia Oil Corp. provides certain administrative services and office accommodations to the Corporation on a cost recovery basis. ASA charges are recorded to general and administrative expenses in the Corporation’s financial statements. For the three months ended March 31, 2011, Rodinia Oil Corp. charged $355,617 of ASA expense.

10. COMMITMENTS

As at March 31, 2011, the Corporation had the following material contracts and commitments:

	Total	2011	2012	2013	2014	2015
EP 103 minimum commitments	3,650,460	-	1,825,230	1,825,230	-	-
EP 104 minimum commitments	3,691,456	-	1,845,728	1,845,728	-	-
EP 127 minimum commitments	9,701,153	5,651,153	-	4,050,000	-	-
EP 128 minimum commitments	8,351,154	251,154	4,050,000	4,050,000	-	-
Operating Leases	28,866	28,866	-	-	-	-
	25,423,089	**5,931,173**	**7,720,958**	**11,770,958**	**-**	**-**

11. RECONCILIATIONS OF GAAP TO IFRS

For all periods up to and including the year ended December 31, 2010, the Corporation prepared its consolidated financial statements in accordance with Canadian GAAP. As stated in Note 3, these are the Corporation’s first set of condensed consolidated interim financial statements prepared in accordance with IAS 34.

Accordingly, the Corporation has prepared condensed consolidated interim financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2011. The accounting policies set out in note 3 have been applied in preparing the condensed interim consolidated financial statements for the period ended March 31, 2011, January 1, 2010 transitional consolidated statement of financial position and the comparative financial statements for the periods ended March 31, 2010 and December 31, 2010. IFRS 1 *First-time Adoption of IFRS* and International Accounting Standard ("IAS") 34 *Interim Financial* Reporting have been applied to these condensed interim Consolidated Financial Statements.

As a result of applying IFRS, the Corporation is required to present comparative information with the application of IFRS accounting policies as at the January 1, 2010 transition date and comparative information for the three months ended March 31, 2010 and for the year ended December 31, 2010. IFRS 1 provides for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all the accounting standards under IFRS.

This note explains the principle adjustments made by the Corporation in restating its GAAP consolidated statement of financial position as at January 1, 2010, March 31, 2010, and December 31, 2010, and its GAAP consolidated statement of loss and comprehensive loss for the periods ending March 31, 2010 and December 31, 2010. The following are the significant accounting policies that the Corporation adopted under IFRS that resulted in transition adjustments and the IFRS 1 exemptions taken by the Corporation at January 1, 2010:

***Share-based payment transactions* –** exemption applied: the Corporation has elected to use the option under IFRS 1 to revalue only those options that were unvested at January 1, 2010. All unvested options have been revalued under IFRS 2, Share-Based Payment.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JANUARY 1, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
ASSETS				
Current				
Cash and cash equivalents		8,279,000	-	**8,279,000**
Accounts receivable		10,919	-	**10,919**
		8,289,919	-	**8,289,919**
Exploration and evaluation assets		2,129,008	-	**2,129,008**
		10,418,927	-	**10,418,927**
LIABILITIES				
Current				
Accounts payable and accrued liabilities		78,347	-	**78,347**
SHAREHOLDERS' EQUITY				
Share capital		10,411,608	-	**10,411,608**
Contributed surplus	**11A**	172,421	79,828	**252,249**
Accumulated other comprehensive income		285,608	-	**285,608**
Deficit	**11A**	(529,057)	(79,828)	**(608,885)**
		10,340,580	-	**10,340,580**
		10,418,927	-	**10,418,927**

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
ASSETS				
Current				
Cash and cash equivalents		7,937,651	-	**7,937,651**
Accounts receivable		17,363	-	**17,363**
		7,955,014	-	**7,955,014**
Corporate assets		2,437	-	**2,437**
Exploration and evaluation assets		2,152,975	-	**2,152,975**
		10,110,426	-	**10,110,426**
LIABILITIES				
Current				
Accounts payable and accrued liabilities		34,003	-	**34,003**
SHAREHOLDERS' EQUITY				
Share capital		10,411,608	-	**10,411,608**
Contributed surplus	**11A**	216,763	103,069	**319,832**
Accumulated other comprehensive income		284,259	-	**284,259**
Deficit	**11A**	(836,207)	(103,069)	**(939,276)**
		10,076,423	-	**10,076,423**
		10,110,426	-	**10,110,426**

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
ASSETS				
Current				
Cash and cash equivalents		55,710,522	-	**55,710,522**
Restricted cash		58,467	-	**58,467**
Accounts receivable		1,675,441	-	**1,675,441**
Prepaid expenses and deposits		321,411	-	**321,411**
		57,765,841	-	**57,765,841**
Corporate assets		2,050	-	**2,050**
Exploration and evaluation assets		10,213,926	-	**10,213,926**
		67,981,817	-	**67,981,817**
LIABILITIES				
Current				
Accounts payable and accrued liabilities		2,764,508	-	**2,764,508**
SHAREHOLDERS' EQUITY				
Share capital	**11A, 11B**	67,238,959	871,686	**68,110,645**
Contributed surplus	**11A**	2,088,326	44,259	**2,132,585**
Accumulated other comprehensive income		789,146	-	**789,146**
Deficit	**11A, 11B**	(4,899,122)	(915,945)	**(5,815,067)**
		65,217,309	-	**65,217,309**
		67,981,817	-	**67,981,817**

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
EXPENSES				
General and administrative		261,828	**-**	**261,828**
Share-based compensation	**11A**	44,342	**23,241**	**67,583**
Depreciation		126	**-**	**126**
Results from operating activities		306,296	23,241	**329,537**
Finance costs		(854)	-	**(854)**
Net finance costs		(854)	-	**(854)**
NET LOSS		(307,150)	(23,241)	**(330,391)**
OTHER COMPREHENSIVE EARNINGS				
Foreign exchange loss on translation of foreign operations		(1,349)	**-**	**(1,349)**
COMPREHENSIVE LOSS		(308,499)	(23,241)	**(331,740)**

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	GAAP	IFRS Adjustments	IFRS
EXPENSES				
General and administrative		2,425,504	**-**	**2,425,504**
Share-based compensation	**11A**	2,035,328	(42,221)	**1,993,107**
Depreciation		513	**-**	**513**
Listing expense	**11B**	-	878,338	**878,338**
Results from operating activities		4,461,345	836,117	**5,297,462**
Finance income		99,881	**-**	**99,881**
Finance costs		(8,601)	**-**	**(8,601)**
Net finance income		91,280	**-**	**91,280**
NET LOSS		(4,370,065)	(836,117)	**(5,206,182)**
OTHER COMPREHENSIVE EARNINGS				
Foreign exchange gain on translation of foreign operations		503,538	-	**503,538**
COMPREHENSIVE LOSS		(3,866,527)	(836,117)	**(4,702,644)**

Notes to the reconciliations

A. Share-based payments

Under Canadian GAAP, the Corporation recognized an expense related to share-based payments on a straight-line basis over the vesting period of the options. Under IFRS, the expense is calculated using graded vesting. The net result is an increase to contributed surplus and an increase to deficit.

B. Reverse takeover accounting

The accounting for the 2010 acquisition of Pendulum, a reverse takeover transaction, changed with the adoption of IFRS. As Pendulum had no non-monetary assets at the time of the amalgamation with the Corporation previous Canadian GAAP required that the transaction be accounted for as a capital transaction with the accounting value of the equity issued for the acquisition being limited to the fair value of the net monetary assets of the acquired entity. IFRS standards require the acquisition to be accounted for at fair value with the excess of the consideration paid over the fair value of the net monetary assets acquired being reflected as a deemed transaction cost expense. The fair value of the common shares issued on the acquisition has been restated to be $1,166,666 with the difference between the fair values of the consideration paid and the fair value of the acquired net monetary assets acquired, being $878,338, reflected as a 2010 listing expense.

12. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Corporation's financial instruments recognized in the balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities. The fair value of these financial instruments approximate their carrying amounts due to their short terms to maturity.

The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

Credit risk

As the Corporation is currently in the exploration phase, accounts receivable is limited to amounts largely pertaining to joint venture receivables and income tax credits on goods and services taxes in Australia and in Canada which are subject to normal credit risks.

Currency risks

The Corporation is exposed to exchange rate fluctuations in relation to amounts due to services it must purchase in foreign currencies including the Australian and United States dollars. As at March 31, 2011, the Corporation's cash and cash equivalents included approximately $2,785,505 denominated in Australian dollars. Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations.

Interest rate risk

At March 31, 2011, the Corporation had no outstanding bank debt and is not exposed to interest rate risk at this time.

Liquidity risk

Liquidity risk relates to the risk the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on its balance sheet are limited to accounts payable. The Corporation anticipates it will continue to have adequate liquidity to fund its existing financial liabilities and ongoing operating and general administrative expenses through its existing working capital. The pace of future capital investment and the related financial liabilities incurred from the capital investment program will be dependent upon the Corporation's capacity to secure additional equity financing on favorable terms. The Corporation had no defaults or breaches on any of its financial liabilities.

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risks which consist primarily of fluctuations in petroleum and natural gas prices. With no bank debt as at March 31, 2011, there is no direct exposure to fluctuations in interest rates. As the Corporation is in the exploration stage, fluctuations in commodity prices bear no direct risk to the Corporation's revenue, however adverse fluctuations in interest rates, exchange rates and commodity prices may indirectly affect the Corporation's ability to obtain equity financing and future bank debt, if required, and on favorable terms.

13. SUBSEQUENT EVENTS

Texalta acquisition

On May 31, 2011, the Corporation closed the acquisition of Texalta by way of a plan of arrangement (the “Transaction”) pursuant to the provisions of the Business Corporations Act (Alberta). Pursuant to the transaction, the Corporation issued a total of 15,444,732 common shares of the Corporation at a fair value of $3.05 per common share and paid $10,000,000 in cash consideration on a pro rata basis for the acquisition of all of the issued and outstanding Class A common shares of Texalta. The Corporation also issued a total of 222,457 common shares of the Corporation at a fair value of $3.05 per common share to holders of Texalta options in exchange for the cancellation of such options. The 1,500,000 outstanding Texalta warrants were continued/replaced with 675,000 warrants of the Corporation at an exercise price of $2.00 per common share with the warrants otherwise being continued on the same terms and conditions.

The information required to account for the business combination is not available to the Corporation at this time and as such a detailed purchase price equation cannot be provided. The Corporation anticipates obtaining the required information during the second quarter of 2011 and a detailed purchase equation will be provided at that time.

The Transaction consolidates the ownership of exploration permits EP 103 and EP 104 in Australia’s Southern Georgina Basin. Post closing of the Transaction, PetroFrontier owns a 100% working interest in EP 103 and EP 104 as well as a 75% interest in EP 127 and EP 128. In addition to conventional carbonate targets, Ryder Scott Company-Canada has prepared a report evaluating PetroFrontier’s oil and natural gas resources, effective November 1, 2010, (the "Ryder Scott Report"), which estimated that the Lower Arthur Creek "Hot Shale" found in EP 103 and EP 104 contains best estimate un-risked, undiscovered original oil in place of 192 billion barrels and best estimate, un-risked, prospective recoverable oil resources of 18.8 billion barrels. In total, the Ryder Scott Report estimates that EP 103, EP 104, EP 127 and EP 128 contain 27.5 billion barrels of best estimate, un-risked prospective recoverable oil resources.

In addition, PetroFrontier acquired approximately 115 bbls/d of high netback, light oil production at Wordsworth and Queensdale in southeast Saskatchewan, as well as exploration properties at Carlyle, Saskatchewan and Joarcam, Alberta. All of Texalta’s current production comes from the Mississippian-Alida formation, however Texalta holds prospective Bakken rights in addition to the conventional targets that have been drilled.

The Transaction allows PetroFrontier to accelerate its high impact, light oil exploration program in Australia. PetroFrontier believes that the Southern Georgina Basin petroleum system is geologically analogous to proven unconventional Bakken Shale and conventional carbonate ramp plays in southeast Saskatchewan and North Dakota.

Stock option grant

On May 31, 2011, the Corporation issued 1,655,000 stock options to officers, employees and consultants at an exercise price of $3.05 per share. The options expire in five years and vest one third on the date of grant and one third on each of the first and second anniversaries of the date of grant.