PetroFrontier

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Canadian Dollars)

As at	**March 31, 2013**	**December 31, 2012**
ASSETS		
Current		
Cash and cash equivalents (note 4)	8,015,395	3,944,537
Restricted cash (note 5)	1,309,029	7,688,228
Marketable securities	5,167	3,777
Accounts receivable (note 6)	3,296,240	3,720,394
Prepaid expenses and deposits (note 7)	802,166	722,311
	13,427,997	16,079,247
Corporate assets	47,975	47,913
Exploration and evaluation assets (note 8)	115,730,941	112,614,425
Goodwill	9,149,570	8,917,774
	138,356,483	**137,659,359**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	2,101,660	3,787,574
Decommissioning liabilities	1,796,582	1,742,709
Deferred tax liability	16,631,475	16,210,131
	20,529,717	21,740,414
SHAREHOLDERS' EQUITY		
Share capital (note 9)	125,916,046	125,916,046
Warrants (note 9)	1,220,886	1,220,886
Contributed surplus	9,157,996	9,027,112
Accumulated other comprehensive income	3,742,087	581,633
Deficit	(22,210,249)	(20,826,732)
	117,826,766	115,918,945
	138,356,483	**137,659,359**

See accompanying notes to the condensed consolidated financial statements

Commitments and contingencies (note 13)

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Canadian Dollars)

	For the three months ended March 31	
	2013	**2012**
EXPENSES		
General and administrative	1,252,300	978,190
(Gain)/loss on marketable securities	(1,390)	16,509
Foreign exchange loss/(gain)	13,504	(122,469)
Financial derivative instruments (note 11)	-	(18,078)
Share-based compensation (note 9)	130,884	874,828
Depreciation	14,451	12,674
Results from operating activities	**1,409,749**	**1,741,654**
Finance income	39,453	92,488
Finance costs	(13,221)	(7,130)
Net finance income	**26,232**	**85,358**
NET LOSS	**(1,383,517)**	**(1,656,296)**
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to net income (loss):		
Foreign exchange gain/(loss) on foreign operations	3,160,454	(334,274)
COMPREHENSIVE EARNINGS/(LOSS)	**1,776,937**	**(1,990,570)**
Net loss per share (note 9)		
Basic and diluted	**0.02**	**0.03**

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(Canadian Dollars)

	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance at January 1, 2013	**125,916,046**	**1,220,886**	**9,027,112**	**581,633**	**(20,826,732)**	**115,918,945**
Net loss					(1,383,517)	(1,383,517)
Foreign exchange loss on translation of foreign operations				3,160,454		3,160,454
Share-based compensation			130,884			130,884
Balance at March 31, 2013	**125,916,046**	**1,220,886**	**9,157,996**	**3,742,087**	**(22,210,249)**	**117,826,766**
Balance at January 1, 2012	117,189,874	1,073,250	6,528,103	743,128	(14,150,245)	111,384,110
Net loss					(1,656,296)	(1,656,296)
Foreign exchange loss on translation of foreign operations				(334,274)		(334,274)
Share-based compensation			874,828			874,828
Balance at March 31, 2012	117,189,874	1,073,250	7,402,931	408,854	(15,806,541)	110,268,368

See accompanying notes to the condensed consolidated financial statements

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Canadian dollars)

	For the three months ended March 31	
	2013	**2012**
Cash provided by (used in)		
OPERATING		
Net loss	(1,383,517)	(1,656,296)
Unrealized (gain)/loss on marketable securities	(1,390)	16,509
Financial instruments	-	40,197
Stock based compensation (note 9)	130,884	874,828
Net finance income	(26,232)	(85,358)
Depreciation	14,451	12,674
	(1,265,804)	(797,446)
Change in non-cash working capital (note 10)	(1,188,306)	(6,985,001)
Cash flow used in operating activities	**(2,454,110)**	**(7,782,447)**
FINANCING		
Finance costs	(2,174)	(1,060)
Cash flow used in financing activities	**(2,174)**	**(1,060)**
INVESTING		
Exploration and evaluation expenditures	(35,129)	(808,930)
Corporate asset expenditures	(14,513)	(4,636)
Term deposits	-	2,500,000
Restricted Cash	6,379,199	-
Interest received	39,453	92,488
Cash flow from investing activities	**6,369,010**	**1,778,922**
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	158,132	98,330
Increase/(decrease) in cash and cash equivalents	4,070,858	(5,906,255)
Cash and cash equivalents, beginning of year	3,944,537	24,358,559
Cash and cash equivalents, end of the Period	**8,015,395**	**18,452,304**

See accompanying notes to the condensed consolidated financial statements

NOTES TO 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 two wholly owned subsidiaries, PetroFrontier (Australia) Pty Ltd (“PetroFrontier Australia”) and Texalta (Australia) Pty Ltd (“Texalta Australia”). These condensed consolidated interim financial statements of the Corporation as at and for the three months ended March 31, 2013 comprises the Corporation, PetroFrontier Australia and Texalta Australia and unless otherwise indicated the term “Corporation” refers to both the Corporation and its wholly owned subsidiaries.

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.

On June 20, 2012, the Corporation entered into a binding farm-in agreement (the “Farm-in Agreement”) with Statoil Australia Oil and Gas AS (“Statoil”), a wholly-owned subsidiary of Statoil ASA of Norway. Pursuant to the terms of the Farm-in Agreement, Statoil will have the option to earn up to 65% of the Corporation’s working interests in EP 103, EP 104, EP 127 and EP 128 and in EPA 213 and EPA 252 in exchange for exploration program related payments and carried costs of up to US$210.0 million over three phases.

These consolidated 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, 2013, the Corporation had working capital of $11,326,337, a deficit of $22,210,249 and a net loss from continuing operations for the three months ended March 31, 2013 of $1,383,517. The Corporation’s petroleum licenses are in the exploration stage.

In September 2012, the Corporation closed a series of private placement offerings for gross proceeds of $10,000,000 through the issuance of 15,384,615 units (the “Units”) at a price of $0.65 per Unit. Each Unit consists of one common share (“Share”) and one common share purchase warrant (“Warrant”). Each Warrant entitles the holder thereof to acquire one additional Share at a price of $0.90 per Share. The Warrants will expire on September 8, 2014 (the “Warrant Expiry Date”), unless the volume weighted average trading price of the Shares on the TSX Venture Exchange Inc. during the 10 consecutive trading days immediately prior to the date for which such calculation is made is greater than $1.125 (the "Trigger Event"). If a Trigger Event occurs, the Warrant Expiry Date may, at the option of the Corporation, be accelerated to the later of: (i) 30 business days from the Trigger Event date; and (ii) one month following the expiry of the applicable hold period required under securities laws.

With current working capital on hand, the Corporation expects to have 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. However, due to the termination of the bought deal financing in 2012, the Corporation will need to raise additional capital during 2013 in order to satisfy the remainder of the 2013 Phase 1 joint exploration program under the Farm-in Agreement with Statoil (see note 13 for discussion regarding the Corporation's commitments). To this end, in January 2013 the Corporation retained GMP Securities L.P. to assist the Corporation in identifying and evaluating a range of strategic alternatives, which could include amongst other options, a recapitalization of the Corporation, a merger or other business combination of the Corporation with another entity or the sale of the Corporation as a whole. There can be no assurance that the steps management is taking will be successful.

3. BASIS OF PRESENTATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in section I of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"); which requires publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34 – *Interim financial reporting ("IAS 34").*

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of May 28, 2013, the date the condensed consolidated interim financial statements were approved by the Corporation's Audit Committee for issuance.

These condensed consolidated interim financial statements should be read in conjunction with the Corporation's 2012 annual consolidated financial statements.

As indicated in note 1 above, these condensed consolidated interim financial statements of the Corporation as at and for the three months ended March 31, 2013 comprise the Corporation, PetroFrontier Australia and Texalta Australia.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except that the financial instruments held for trading are measured at fair value through profit or loss.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency. The functional currency of PetroFrontier Australia and Texalta Australia is the Australian dollar.

On January 1, 2013, the Corporation adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013 or on the comparative periods.

The Corporation has adopted the amendments to IAS 1, Presentation of Financial Statements which require the Corporation to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

4. CASH AND CASH EQUIVALENTS

	March 31, 2013 ($)	December 31, 2012 ($)
Cash at bank and on hand	8,015,395	3,944,537
Cash and cash equivalents	**8,015,395**	**3,944,537**

5. RESTRICTED CASH

	March 31, 2013 ($)	December 31, 2012 ($)
Operating and trust accounts (i)	1,069,631	7,454,895
Other (ii)	239,398	233,333
Restricted cash	**1,309,029**	**7,688,228**

(i) The Corporation has established various operating and trust accounts to effectively manage and ensure the timely payment of capital expenditures for the joint ventures it operates. The amounts deposited into these various accounts are considered restricted to the operations of the joint ventures.

(ii) The Corporation had three term deposits outstanding as at March 31, 2013 that mature on August 31, 2013.

6. ACCOUNTS RECEIVABLE

	March 31, 2013	December 31, 2012
Trade receivables	1,343,469	1,814,930
Joint venture receivables	1,952,771	1,905,464
Allowance for doubtful accounts	-	-
Accounts receivable	**3,296,240**	**3,720,394**

7. PREPAID EXPENSES AND DEPOSITS

	March 31, 2013 ($)	December 31, 2012 ($)
Deposits on capital expenditures	689,828	631,687
Rent, insurance and other	112,338	90,624
Prepaid expenses and deposits	**802,166**	**722,311**

As at March 31, 2013, the Corporation had $540,000 (Australian dollars) on deposit with the Northern Territory government pertaining to various environmental and abandonment deposits. In addition, $100,000 (Australian dollars) was paid as a deposit in conjunction with the Baraka Farmin Agreements that will be returned to the Corporation in due course.

8. EXPLORATION AND EVALUATION ASSETS

	Exploration & Evaluation Assets ($)
Cost:	
At December 31, 2012	112,614,425
Additions	3,116,516
At March 31, 2013	**115,730,941**
Net Book Value:	
At December 31, 2012	112,614,425
At March 31, 2013	**115,730,941**

9. SHARE CAPITAL

A) Authorized

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

B) Issued – common shares of PetroFrontier

	Three Months Ended March 31, 2013		Year Ended December 31, 2012	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of year	79,400,768	125,916,046	63,998,153	117,189,874
Private placement, net of share issue costs (i)	-	-	15,384,615	8,698,812
Exercise of stock options (ii)	-	-	18,000	27,360
Balance, end of year	**79,400,768**	**125,916,046**	**79,400,768**	**125,916,046**
Warrants				
Balance, beginning of year	15,384,615	1,220,886	675,000	1,073,250
Private placement, net of share issue costs (i)	-	-	15,384,615	1,220,886
Expiry of warrants	-	-	(675,000)	(1,073,250)
Balance, end of year	**15,384,615**	**1,220,886**	**15,384,615**	**1,220,886**

Issue of Common Shares

(i) In September 2012, the Corporation closed a series of private placement offerings for gross proceeds of $10,000,000 through the issuance of 15,384,615 units (the "Units") at a price of $0.65 per Unit. Each Unit consists of one common share ("Share") and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to acquire one additional Share at a price of $0.90 per Share. The Warrants will expire on September 8, 2014 (the "Warrant Expiry Date"), unless the volume weighted average trading price of the Shares on the TSX Venture Exchange Inc. during the 10 consecutive trading days immediately prior to the date for which such calculation is made is greater than $1.125 (the "Trigger Event"). If a Trigger Event occurs, the Warrant Expiry Date may, at the option of the Corporation, be accelerated to the later of: (i) 30 business days from the Trigger Event date; and (ii) one month following the expiry of the applicable hold period required under securities laws.

The fair value of the Warrants issued in conjunction with the September 2012 private placement was estimated at $0.08 per Warrant.

(ii) For the year ended December 31, 2012, 18,000 stock options were exercised with an average exercise price of $1.00 per common share.

C) Stock options

Employees, officers, directors and consultants of the Corporation may be granted options to purchase common shares. Options granted have a term of five years to expiry and typically 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 three months ended March 31, 2013:

	Number of options	**Weighted average price ($)**
Balance, December 31, 2012	4,259,167	2.00
Granted	-	-
Exercised	-	-
Forfeited	(93,333)	1.98
Balance, March 31, 2013	**4,165,834**	**2.00**

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2013.

	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	200,000	0.9	$0.25	200,000	$0.25
$1.00	811,667	1.9	$1.00	811,667	$1.00
$1.20	105,000	0.9	$1.20	105,000	$1.20
$1.99	500,000	3.8	$1.99	375,000	$1.99
$2.00	1,396,667	2.7	$2.00	1,396,667	$2.00
$3.05	1,017,500	3.2	$3.05	698,330	$3.05
$3.09	35,000	2.9	$3.09	23,333	$3.09
$3.60	100,000	2.9	$3.60	100,000	$3.60
	4,165,834	**2.7**	**$2.00**	**3,709,997**	**$1.91**

D) Stock Based Compensation

The Corporation accounts for its stock 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 the Corporation, with a corresponding increase to contributed surplus.

E) Per common share amounts

The basic weighted average number of common shares outstanding for the three months ended March 31, 2013 and 2012 were 79,400,768 and 63,998,153, respectively. As the Corporation has recorded a loss for the three months ended March 31, 2013 and 2012, 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. For the three months ended March 31, 2013 and 2012, 200,000 and 1,435,001 options, respectively that could potentially dilute basic earnings per share in the future were not included in the calculation of diluted earnings per share because they are antidilutive.

F) 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 the 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, bank debt and working capital, however as at December 31, 2012, the Corporation has no bank debt.

As the Corporation is in the development 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.

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.

10. Supplemental Cash Flow Information

Changes in non-cash working capital:

	Period ended March 31, 2013 ($)	Period ended March 31, 2012 ($)
Accounts receivable	424,154	939,919
Prepaid expenses and deposits	(79,855)	(3,817,046)
Accounts payables and accrued liabilities	(1,685,914)	(3,889,104)
Other	153,309	(218,770)
Change in non-cash working capital	**(1,188,306)**	**(6,985,001)**

11. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of cash and cash equivalents, term deposits, accounts receivable, accounts payable, accrued liabilities and foreign exchange forward contracts. The fair value of these financial instruments, except for foreign exchange forward contracts, approximates their carrying amounts due to their short terms to maturity.

As the foreign exchange forward contracts are designated as held-for-trading they are carried at fair value. 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 cash and cash equivalents, restricted cash, term deposits, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

Marketable securities are classified as level 1 within the fair value hierarchy and are recorded on the Corporation's statement of financial position at the fair value on the reporting date.

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, 2013, the Corporation's cash and cash equivalents included $7,019,157 denominated in Australian dollars. A decrease or increase of one percent to the Australia / Canada foreign exchange rate would have decreased or increased the other comprehensive loss by $70,192 for the three months ended March 31, 2013. Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations. The Corporation uses forward foreign currency exchange rate contracts in order to reduce its exposure to currency risks from fluctuations in the Canadian and Australian currencies.

Interest rate risk

At March 31, 2013, 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 statement of financial position are limited to accounts payable and accrued liabilities, all of which are current in nature. 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. The Corporation expects to satisfy obligations under accounts payable in less than one year.

With current working capital on hand, the Corporation expects to have 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. However, due to the termination of the bought deal financing in 2012, the Corporation will need to raise additional capital during 2013 in order to satisfy the remainder of the 2013 Phase 1 joint exploration program under the Farm-in Agreement with Statoil (see note 19 for discussion regarding the Corporation's commitments). To this end, in January 2013 the Corporation retained GMP Securities L.P. to assist the Corporation in identifying and evaluating a range of strategic alternatives, which could include a recapitalization of the Corporation, a merger or other business combination of the Corporation with another entity or the sale of the Corporation as a whole. There can be no assurance that the steps management is taking will be successful.

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, 2013 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.

12. RELATED PARTY TRANSACTIONS

In accordance with the terms of an Administrative Services Agreement ("ASA"), Rodinia Oil Corp. ("Rodinia") provides certain administrative services and office accommodations to the Corporation and vice versa 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, 2013, the Corporation was charged $126,616 of ASA expense. As at March 31, 2013, $75,836 was payable to Rodinia.

13. COMMITMENTS AND CONTINGENCIES

EP 103 Minimum Work Plan Commitment

In accordance with the terms of the EP 103 agreement with the government of the Northern Territory of Australia, the Corporation has the following minimum work commitments and timelines:

Year	Start	End	Minimum work requirements	Status as at March 31, 2013
Year 5	May 21, 2012	May 20, 2014	Drill one exploration well	Outstanding

EP 104 Minimum Work Plan Commitment

In accordance with the terms of the EP 104 agreement with the government of the Northern Territory of Australia, the Corporation has the following minimum work commitments and timelines:

Year	Start	End	Minimum work requirements	Status as at March 31, 2013
Year 5	May 21, 2012	May 20, 2014	Drill one exploration well	Outstanding

EP 127 Minimum Work Plan Commitments

In accordance with the terms of the EP 127 agreement with the government of the Northern Territory, Australia, the Corporation has the following minimum work commitments and timelines:

Year	Start	End	Minimum work requirements	Status as at March 31, 2013
Year 4	December 14, 2011	December 13, 2014	Acquire seismic data or drill a well	Outstanding
Year 5	December 14, 2012	December 13, 2015	Drill an exploration well	Outstanding

EP 128 Minimum Work Plan Commitments

In accordance with the terms of the EP 128 agreement with the government of the Northern Territory, Australia, the Corporation has the following minimum work commitments and timelines:

Year	Start	End	Minimum work requirements	Status as at March 31, 2013
Year 3	June 14, 2010	December 13, 2013	Acquire seismic data	Outstanding
Year 4	December 14, 2011	June 13, 2014	Drill an exploration well	Outstanding
Year 5	June 14, 2013	June 13, 2015	Drill an exploration well	Outstanding

After satisfying the five year minimum work requirements for each of the exploration permits, the acreage is subject to relinquishment provisions. However, each of the exploration permits can enter into up to two additional five year work terms subject to the Corporation successfully renegotiating new minimum work requirements with the Northern Territory government.

Statoil Farm-In Agreement

On June 20, 2012, the Corporation entered into a binding farm-in agreement (the "Farm-in Agreement") with Statoil, effective January 1, 2012. Pursuant to the terms of the Farm-in Agreement, Statoil will have the option to earn up to 65% of the Corporation's working interests in EP 103, EP 104, EP 127 and EP 128 and in EPA 213 and EPA 252 in exchange for exploration program related payments and carried costs of up to US$210.0 million over three phases.

Under the terms of the Farm-in Agreement, Statoil will participate with the Corporation in the exploration of the EPs and EPAs as follows:

- Phase 1 (2012 & 2013)
    - Phase 1 consists of a joint exploration program of US$50.0 million (with each of Statoil and the Corporation contributing US$25.0 million).
    - Depending on the results from the current drilling and fracturing program, the parties will agree on further drilling locations and seismic, in part to ensure that the work commitments for the respective EPs are kept current.

NOTES *(continued)*

- The Corporation will be the operator during Phase 1.
- At the end of Phase 1, Statoil will have the option to acquire 25% of the Corporation's working interest by reimbursing the Corporation for its US$25.0 million Phase 1 contribution and by committing to proceed with Phase 2.

- Phase 2 (2014 & 2015)
  - The parties will conduct a further joint exploration program of US$100 million (with Statoil contributing US$80 million and the Corporation contributing US$20 million).
  - Statoil has the option of becoming the operator during Phase 2.
  - Once Statoil has contributed its US$80 million towards the Phase 2 program, it shall have earned an additional 25% of the Corporation's working interest in all of the EPs and EPAs and will have the option to commit to proceed with Phase 3.

- Phase 3 (2016)
  - The parties will conduct a further joint exploration program of US$80 million with Statoil contributing all US$80 million and the Corporation contributing nil.
  - Statoil shall be the operator during Phase 3.
  - Once Statoil has contributed its US$80 million towards the Phase 3 program, it shall have earned an additional 15% of the Corporation's working interest in all of the EPs and EPAs.

At the end of Phase 3, Statoil will have completed its earning in the EPs and EPAs and will share future costs with the Corporation based on their respective ownership percentages.

As at March 31, 2013, the Corporation had the following material contracts and commitments:

	Total	**2013**	**2014**	**2015**	**2016**	**2017**
EP 103 minimum commitments	**3,712,289**	3,712,289	-	-	-	-
EP 104 minimum commitments	**3,752,741**	3,752,741	-	-	-	-
EP 127 minimum commitments	**2,303,241**	-	393,405	1,909,836	-	-
EP 128 minimum commitments	**4,944,020**	1,124,348	1,909,836	1,909,836	-	-
Leases	**309,866**	248,832	61,034	-	-	-
	15,022,157	**8,838,210**	**2,364,275**	**3,819,672**	**-**	**-**

During the three months ended March 31, 2013, the Corporation expensed $96,917 relating to operating leases it maintained throughout the year.

As at March 31, 2013, through the normal course of business the Corporation had an outstanding dispute with a third party service provider that in aggregate totaled $1,303,083. In management's opinion these charges are unsubstantiated and therefore have not been accrued.

NOTES *(continued)*

14. SEGMENTED INFORMATION

The Corporation has a foreign subsidiary and the following geographical segmented information is provided:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	Canada ($)	Australia ($)	Canada ($)	Australia ($)
EXPENSES				
General and administrative	439,063	813,237	406,720	571,470
(Gain)/loss on marketable securities	(1,390)	-	16,509	-
Foreign exchange gain	(63)	13,567	(122,469)	-
Financial derivative instruments (note 11)	-	-	(18,078)	-
Share-based compensation (note 9)	130,884	-	874,828	-
Depreciation	211	14,240	117	12,557
Results from operating activities	568,705	841,044	1,157,627	584,027
Finance income	3,058	36,395	46,520	45,968
Finance costs	(202)	(13,019)	(466)	(6,664)
Net finance income	2,856	23,376	46,054	39,304
NET LOSS	**(565,849)**	**(817,668)**	**(1,111,573)**	**(544,723)**
Exploration and evaluation assets (end of period)	-	115,730,941	-	97,034,305
Exploration and evaluation expenditures	-	35,129	-	808,930
Total assets (end of period)	1,503,197	136,853,286	17,733,641	111,733,050
Total liabilities (end of period)	158,775	20,370,942	651,122	18,547,201

NOTES *(continued)*

Directors
Robert J. Iverach
Chairman of the Board of Directors
Calgary, Alberta

Paul J. Bennett
Chief Executive Officer
PetroFrontier Corp.
Calgary, Alberta

Martin P. McGoldrick
Businessman
Calgary, Alberta

Kent Jespersen
Businessman
Calgary, Alberta

Dr. James W. Buckee
Businessman
Wiltshire, UK

Al Kroontje
Businessman
Calgary, Alberta

Donald Rae
Businessman
Calgary, Alberta

Officers
Paul J. Bennett
Chief Executive Officer

Shane J. Kozak
Vice President Finance and
Chief Financial Officer

Earl Scott
Chief Operating Officer

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