PetroFrontier

Condensed Consolidated Interim Financial Statements As at and for the three months ended March 31, 2014

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Canadian Dollars)

As at	**March 31, 2014**	**December 31, 2013**
ASSETS		
Current		
Cash and cash equivalents (note 4)	7,257,071	7,459,605
Marketable securities	64,794	64,719
Accounts receivable (note 5)	279,787	1,595,084
Prepaid expenses and deposits	23,677	38,350
	7,625,329	9,157,758
Exploration and evaluation assets (note 6)	47,128,473	43,712,206
	54,753,802	**52,869,964**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 7)	428,234	1,651,637
	428,234	1,651,637
SHAREHOLDERS' EQUITY		
Share capital (note 8)	125,952,046	125,952,046
Warrants (note 8)	1,220,886	1,220,886
Contributed surplus	9,626,534	9,548,106
Accumulated other comprehensive income	(3,015,847)	(6,495,474)
Deficit	(79,458,051)	(79,007,237)
	54,325,568	51,218,327
	54,753,802	**52,869,964**

See accompanying notes to the condensed consolidated interim financial statements

Commitments and contingencies (note 12)

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE EARNINGS

(Unaudited)

(Canadian Dollars)

	For the three months ended March 31	
	2014	**2013**
EXPENSES		
General and administrative	402,725	1,252,300
Gain on marketable securities	(74)	(1,390)
Foreign exchange (gain)/loss	(280)	13,504
Share-based compensation (note 8)	78,428	130,884
Depreciation	-	14,451
Results from operating activities	**480,799**	**1,409,749**
Finance income	29,985	39,453
Finance costs	-	(13,221)
Net finance income	**29,985**	**26,232**
NET LOSS	**(450,814)**	**(1,383,517)**
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to net income (loss):		
Foreign exchange gain on foreign operations	3,479,627	3,160,454
COMPREHENSIVE EARNINGS	**3,028,813**	**1,776,937**
Net loss per share (note 8)		
Basic and diluted	**(0.01)**	**(0.02)**

See accompanying notes to the condensed consolidated interim financial statements

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, 2014	**125,952,046**	**1,220,886**	**9,548,106**	**(6,495,474)**	**(79,007,237)**	**51,218,327**
Net loss	-	-	-	-	(450,814)	(450,814)
Foreign exchange gain on translation of foreign operations	-	-	-	3,479,627	-	3,479,627
Share-based compensation	-	-	78,428	-	-	78,428
Balance at March 31, 2014	**125,952,046**	**1,220,886**	**9,626,534**	**(3,015,847)**	**(79,458,051)**	**54,325,568**
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 gain 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

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Canadian dollars)

	For the three months ended March 31	
	2014	**2013**
Cash provided by (used in)		
OPERATING		
Net loss	(450,814)	(1,383,517)
Unrealized gain on marketable securities	(74)	(1,390)
Stock based compensation (note 8)	78,428	130,884
Net finance income	(29,985)	(26,232)
Depreciation	-	14,451
	(402,445)	(1,265,804)
Change in non-cash working capital (note 9)	160,013	(1,188,306)
Cash flow used in operating activities	**(242,432)**	**(2,454,110)**
FINANCING		
Finance costs	-	(2,174)
Cash flow used in financing activities	**-**	**(2,174)**
INVESTING		
Exploration and evaluation expenditures	-	(35,129)
Corporate asset expenditures	-	(14,513)
Restricted Cash	-	6,379,199
Interest received	29,985	39,453
Cash flow from investing activities	**29,985**	**6,369,010**
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	9,913	158,132
Increase/(decrease) in cash and cash equivalents	(202,534)	4,070,858
Cash and cash equivalents, beginning of year	7,459,605	3,944,537
Cash and cash equivalents, end of the Period	**7,257,071**	**8,015,395**

See accompanying notes to the condensed consolidated interim 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 520, 1011 – 1st Street S.W. Calgary, Alberta, Canada T2R 1J2. The Corporation is engaged in the business of international petroleum exploration in the Northern Territory, Australia, through its two wholly owned subsidiaries, PetroFrontier (Australia) Pty Ltd ("PetroFrontier Australia") and Texalta (Australia) Pty Ltd ("Texalta Australia"). The condensed consolidated interim financial statements of the Corporation as at and for the three months ended March 31, 2014 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, seismic acquisitions and exploration drilling. 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 10, 2013, the Corporation entered into an agreement to amend the existing farm-in agreement with Statoil Australia Oil & Gas AS ("Statoil") (the "Amended Farm-in Agreement"). Pursuant to the Amended Farm-in Agreement , Statoil was transferred 80% 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$175 million during the earning period ending in 2016. The Amended Farm-in Agreement redefined the previously agreed work phases and Statoil's corresponding capital expenditure commitments. On September 1, 2013, Statoil assumed operatorship of the Corporation's lands.

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, 2014, the Corporation had working capital of $7,197,095, cash outflows from operating activities of $242,432, a deficit of $79,458,051 and a net loss for the three months ended March 31, 2014 of $450,814 (March 31, 2013 - $11,326,337, $2,454,110, $22,210,249, and $1,383,517, respectively). The Corporation's petroleum licenses are in the exploration stage.

With current working capital on hand, the Corporation expects to have adequate funding to provide for general operations and to meet all of the Corporation's future commitments for a period of at least 12 months. The Corporation's future commitments are disclosed in note 12.

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 29, 2014, 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 2013 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, 2014 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, 2014, the Corporation adopted IAS 36, *Impairment of Assets*, which was amended in May 2013 to reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments require retrospective application and were adopted by the Corporation on January 1, 2014. The adoption will only impact the Corporation's disclosures in the notes to the financial statements in periods when an impairment loss or impairment recovery is recognized. The application of the amendment had no impact on the consolidated statements of loss and comprehensive earnings/loss or the consolidated statement of financial position.

The Corporation will adopt IFRS 9, *Financial Instruments*. However, the first phase of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement* has been issued but the adoption date has been deferred from January 1, 2015. A new date will be decided upon when the entire IFRS 9 project is closer to completion. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classifications: amortized cost and fair value. Portions of the standard remain in development and the full impact of the standard on the Corporation's financial statements will not be known until the project is complete.

NOTES *(continued)*

4. CASH AND CASH EQUIVALENTS

	March 31, 2014 ($)	December 31, 2013 ($)
Cash at bank and on hand	7,257,071	7,459,605
Cash and cash equivalents	**7,257,071**	**7,459,605**

5. ACCOUNTS RECEIVABLE

	March 31, 2014	December 31, 2013
Trade receivables	279,787	1,595,084
Accounts receivable	**279,787**	**1,595,084**

6. EXPLORATION AND EVALUATION ASSETS

	Exploration & Evaluation Assets ($)
Cost:	
At December 31, 2013	103,051,218
Cumulative translation adjustments and additions	3,416,267
At March 31, 2014	**106,467,485**
Accumulated impairment:	
At December 31, 2013	(59,339,012)
Impairment	-
At March 31, 2014	**(59,339,012)**
Accumulated depletion and depreciation:	
At December 31, 2013	-
Depletion and depreciation	-
At March 31, 2014	**-**
Net Book Value:	
At December 31, 2013	**43,712,206**
At March 31, 2014	**47,128,473**

The execution of the Amended Farm-in Agreement with Statoil indicated that the aggregated carrying value of the Corporation's exploration and evaluation assets exceeded the fair value less costs to sell. Accordingly, impairment of $59,339,012 was recorded during 2013.

During the three months ended March 31, 2014 and 2013, no general and administrative expenses were capitalized.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2014 ($)	December 31, 2013 ($)
Accrued liabilities	286,967	281,463
Trade payables	141,267	1,370,174
	428,234	**1,651,637**

8. 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, 2014		**Year Ended December 31, 2013**	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of year	79,600,768	125,952,046	79,400,768	125,916,046
Private placement (i)	-	-	200,000	36,000
Balance, end of year	**79,600,768**	**125,952,046**	**79,600,768**	**125,952,046**
Warrants				
Balance, beginning of year	15,384,615	1,220,886	15,384,615	1,220,886
Balance, end of year	**15,384,615**	**1,220,886**	**15,384,615**	**1,220,886**

Issue of Common Shares

(i) In November 2013, the Corporation closed on a private placement offering for gross proceeds of $36,000 through the issuance of 200,000 common shares at a price of $0.18 per common share. The shares were subscribed for by the Corporation's President and Chief Executive Officer.

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, 2014:

	Number of options	Weighted average price ($)
Balance, December 31, 2013	7,634,167	1.03
Granted	-	-
Expired	(305,000)	0.58
Forfeited	(80,000)	0.18
Balance, March 31, 2014	**7,249,167**	**1.05**

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2014.

	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**
$0.18	3,840,000	4.6	$0.18	1,306,665	$0.18
$1.00	801,667	0.9	$1.00	801,667	$1.00
$1.99	500,000	2.8	$1.99	500,000	$1.99
$2.00	1,220,000	1.7	$2.00	1,220,000	$2.00
$3.05	852,500	2.2	$3.05	852,500	$3.05
$3.09	35,000	1.9	$3.09	35,000	$3.09
	7,249,167	**3.3**	**$1.05**	**4,715,832**	**$1.52**

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, 2014 and 2013 were 79,600,768 and 79,400,768, respectively. As the Corporation has recorded losses for the three months ended March 31, 2014 and 2013, 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, 2014 and 2013, 3,840,000 and 200,000 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 and working capital.

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.

With current working capital on hand, the Corporation has adequate funding to provide for general operations and to meet the Corporation's future commitments for a period of at least 12 months. The Corporation's future commitments are disclosed in note 12.

9. Supplemental Cash Flow Information

Changes in non-cash working capital:

	Period ended March 31, 2014 ($)	Period ended March 31, 2013 ($)
Accounts receivable	1,315,297	424,154
Prepaid expenses and deposits	14,673	(79,855)
Accounts payables and accrued liabilities	(1,223,403)	(1,685,914)
Other	53,446	153,309
Change in non-cash working capital	**160,013**	**(1,188,306)**

10. 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, restricted cash, accounts receivable, accounts payable and accrued liabilities. 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, 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, 2014, the Corporation's cash and cash equivalents included $1,040,550 denominated in Australian dollars (March 31, 2013 – $7,019,157). A decrease or increase of one percent to the Australia / Canada foreign exchange rate would have decreased or increased the other comprehensive loss by $10,406 for the three months ended March 31, 2014 (March 31, 2013 – $70,192). 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, 2014, 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 has adequate funding to provide for general operations and to meet the Corporation's future commitments for a period of at least 12 months. The Corporation's future commitments are disclosed in note 12.

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 December 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.

11. RELATED PARTY TRANSACTIONS

In accordance with the terms of an Administrative Services Agreement ("ASA"), Rodinia Oil Corp. ("Rodinia") provided certain administrative services and office accommodations to the Corporation and vice versa on a cost recovery basis. ASA charges were recorded to general and administrative expenses in the Corporation's financial statements. For the three months ended March 31, 2014 and 2013, the Corporation was charged nil and $126,616 of ASA expense, respectively. As at March 31, 2014, nil was receivable from Rodinia nor were any amounts payable to Rodinia and the ASA has now been terminated (March 31, 2013 – $75,836 payable).

12. 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, 2014
Year 5	May 21, 2012	May 20, 2015	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, 2014
Year 5	May 21, 2012	May 20, 2015	Drill one exploration well	Outstanding

NOTES *(continued)*

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, 2014
Year 4	December 14, 2011	December 13, 2014	Acquire seismic data or drill a well	Completed
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, 2014
Year 3	June 14, 2010	December 13, 2013	Acquire seismic data	Completed
Year 4	December 14, 2011	December 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.

EPA 213 and EPA 252

EPA 213 and EPA 252 are currently in a moratorium, so the Corporation and its joint venture partner are unable to access these leases to commence operations at this time.

Statoil Farm-In Agreement

On June 10, 2013, the Corporation entered into the Amended Farm-in Agreement with Statoil. Pursuant to the Amended Farm-in Agreement, Statoil has been transferred 80% 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$175 million during the earning period ending in 2016. The Amended Farm-in Agreement redefined the previously agreed work phases and Statoil's corresponding capital expenditure commitments, which under the Amended Farm-in Agreement are additional to the approximately $15 million spent by Statoil in 2012, as follows:

NOTES *(continued)*

<u>Phase 1 & 2A (2013 and 2014):</u>

- Statoil will spend US$50 million on exploration (PetroFrontier – nil) and assumed operatorship on September 1, 2013

- At the end of Phase 2A, Statoil will have the option to continue to Phase 2B; if Statoil elects not to continue, it must return to PetroFrontier 50% of its former working interest in the Permits, such that ownership will then be: Statoil (30%), PetroFrontier (70%)

<u>Phase 2B (2015):</u>

- Upon proceeding to Phase 2B, Statoil will spend the next US$30 million on exploration (PetroFrontier – nil)

- At the end of Phase 2B, Statoil will have the option to continue to Phase 3; if Statoil elects not to continue to Phase 3, then it must return to PetroFrontier 25% of its former working interest in the Permits, such that ownership will then be Statoil (55%), PetroFrontier (45%)

<u>Phase 3 (2016):</u>

- Upon proceeding to Phase 3, Statoil will spend the next US$80 million on exploration (PetroFrontier – nil)

- At the end of Phase 3, Statoil will own 80% and PetroFrontier will own 20% of PetroFrontier's former working interest in the Permits

At the end of Phase 3, Statoil will have completed its funding obligations under the Amended Farm-in Agreement and the sharing of future costs between Statoil and PetroFrontier will be based on their then respective ownership interests.
As at March 31, 2014, the Corporation had the following material contracts and commitments:

	Total ($)	**2014 ($)**	**2015 ($)**	**2016 ($)**	**2017 ($)**
EP 103 minimum commitments	**1,368,948**	-	1,368,948	-	-
EP 104 minimum commitments	**1,162,153**	-	1,162,153	-	-
EP 127 minimum commitments	**1,007,490**	-	1,007,490	-	-
EP 128 minimum commitments	**1,776,358**	888,179	888,179	-	-
Leases	**199,759**	52,442	69,922	71,157	6,238
	5,514,708	**940,621**	**4,496,692**	**71,157**	**6,238**

The amounts referenced above represent the Corporation's minimum commitments under EP 103, EP 104, EP 127 and EP 128 given the Corporation's current 15% - 20% working interest in these respective leases. However, all of these minimum commitments are expected to be fully funded by Statoil as part of the 2014 Work Program and Budget (the "2014 WP&B") in accordance with the Amended Farm-in Agreement. Baraka Energy & Resources Ltd ("Baraka"), a 25% working interest owner in EP 127 and EP128 is disputing the 2014 WP&B on these blocks. The Corporation does not see merit in Baraka's objections and the Corporation is keen to move forward with the 2014 WP&B. The joint operating agreements ("JOA") among the parties do provide for the potential dilution of Baraka's 25% working interest should it not pay its cash calls. Statoil and PetroFrontier together hold 75% of the working interest and have voted to approve the 2014 WP&B in accordance with the JOA. The outcome of this dispute could result in amendments to the 2014 WP&B, which could have an impact on the Corporation's requirements to fund a portion of the commitments disclosed above.

During the three months ended March 31, 2014 and 2013, the Corporation expensed $18,730 and $96,917 relating to operating leases, respectively.

13. SEGMENTED INFORMATION

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

	Three months ended March 31, 2014		**Three months ended March 31, 2013**	
	Canada ($)	**Australia ($)**	**Canada ($)**	**Australia ($)**
EXPENSES				
General and administrative	397,159	5,566	439,063	813,237
Unrealized gain on marketable securities	(74)	-	(1,390)	-
Foreign exchange (gain)/loss	(280)	-	(63)	13,567
Share-based compensation (note 8)	78,428	-	130,884	-
Depreciation	-	-	211	14,240
Results from operating activities	475,233	5,566	568,705	841,044
Finance income	10,897	19,088	3,058	36,395
Finance costs	-	-	(202)	(13,019)
Net finance income	10,897	19,088	2,856	23,376
NET EARNINGS/(LOSS)	**(464,336)**	**13,522**	**(565,849)**	**(817,668)**
Exploration and evaluation assets (end of period)	-	47,128,473	-	115,730,941
Exploration and evaluation expenditures	-	-	-	35,129
Total assets (end of period)	6,355,451	48,398,351	1,503,197	136,853,286
Total liabilities (end of period)	37,151	391,083	158,775	20,370,942

NOTES *(continued)*

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

Earl P. Scott
President and 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

Michael Hibberd
Businessman
Calgary, Alberta

Officers
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