PetroFrontier

Condensed Consolidated
Interim Financial Statements
March 31, 2015

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Canadian Dollars)

As at	**March 31, 2015**	**December 31, 2014**
ASSETS		
Current		
Cash	10,076,970	10,438,097
Accounts receivable	153,337	140,357
Prepaid expenses and deposits	27,886	43,675
	10,258,193	**10,622,129**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	92,209	408,426
	92,209	408,426
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	125,952,046	125,952,046
Contributed surplus (Note 4)	11,036,755	11,016,003
Accumulated other comprehensive income (Note 4)	(5,288,818)	(5,458,569)
Deficit	(121,533,999)	(121,295,777)
	10,165,984	10,213,703
	10,258,193	**10,622,129**

See accompanying notes to the condensed consolidated interim financial statements

Commitments and contingencies (note 7)

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE EARNINGS/(LOSS)

(Unaudited)

(Canadian Dollars)

	For the three months ended March 31	
	2015	**2014**
EXPENSES		
General and administrative	252,147	402,725
Gain on marketable securities	-	(74)
Foreign exchange (gain)/loss	-	(280)
Share-based compensation (note 4)	20,752	78,428
Results from operating activities	**272,899**	**480,799**
Finance income	34,677	29,985
Net finance income	**34,677**	**29,985**
NET LOSS	**(238,222)**	**(450,814)**
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to net loss:		
Foreign exchange gain on foreign operations	169,751	3,479,627
COMPREHENSIVE EARNINGS/(LOSS)	**(68,471)**	**3,028,813**
Net loss per share (note 4)		
Basic and diluted	**(0.00)**	**(0.01)**

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, 2015	**125,952,046**	**-**	**11,016,003**	**(5,458,569)**	**(121,295,777)**	**10,213,703**
Net loss	-	-	-	-	(238,222)	(238,222)
Foreign exchange gain on translation of foreign operations	-	-	-	169,751	-	169,751
Share-based compensation	-	-	20,752	-	-	20,752
Balance at March 31, 2015	**125,952,046**	**-**	**11,036,755**	**(5,288,818)**	**(121,533,999)**	**10,165,984**
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

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONSOLIDATION STATEMENT OF CASH FLOWS

(Unaudited)

(Canadian dollars)

	For the three months ended March 31	
	2015	**2014**
Cash provided by (used in)		
OPERATING		
Net loss	(238,222)	(450,814)
Unrealized gain on marketable securities	-	(74)
Stock based compensation (note 4)	20,752	78,428
Net finance income	(34,677)	(29,985)
	(252,147)	(402,445)
Change in non-cash working capital (note 5)	(91,922)	160,013
Cash flow used in operating activities	**(344,069)**	**(242,432)**
INVESTING		
Interest received	34,677	29,985
Cash flow from investing activities	**34,677**	**29,985**
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(51,735)	9,913
Increase/(decrease) in cash and cash equivalents	(361,127)	(202,534)
Cash and cash equivalents, beginning of year	10,438,097	7,459,605
Cash and cash equivalents, end of the Period	**10,076,970**	**7,257,071**

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 has been engaged in the business of 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, 2015 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 has been an oil and gas exploration company engaged in the exploration, acquisition and development of both conventional and unconventional petroleum assets in Australia's Southern Georgina Basin. The Corporation is now focusing its attention on a number of new oil and gas exploration and development investment opportunities, all of which are still in the early stages of review.

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 7.

On March 2, 2015, the Corporation announced that it had retained GMP Securities L.P. as the Corporation's exclusive financial advisor to assist in identifying and evaluating a wide range of options for the Corporation. A resulting transaction could include a merger or other business combination of the Corporation with another entity, a recapitalization, a purchase of assets, a joint venture, a farm-in or the sale of the Corporation as a whole.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT 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") as issued by the International Accounting Standards Board ("IASB").

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 27, 2015, the date the condensed consolidated interim financial statements were approved by the Corporation's Audit Committee for issuance. The policies applied are consistent throughout all periods presented in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Corporation's 2014 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, 2015 comprise the Corporation, PetroFrontier Australia and Texalta Australia.

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.

4. 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, 2015		**Year Ended December 31, 2014**	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of period	79,600,768	125,952,046	79,600,768	125,952,046
Balance, end of period	**79,600,768**	**125,952,046**	**79,600,768**	**125,952,046**
Warrants				
Balance, beginning of period	-	-	15,384,615	1,220,886
Expiry of warrants	-	-	(15,384,615)	(1,220,886)
Balance, end of period	**-**	**-**	**-**	**-**

C) Warrants

During the year ended December 31, 2014, 15,384,615 warrants outstanding with strike prices of $0.90 per common share, expired out-of-the-money and as such none of these warrants were exercised. Accordingly, $1,220,886 was reclassified from warrants to contributed surplus as at December 31, 2014.

D) 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, 2015:

	Number of options	Weighted average price ($)
Balance, December 31, 2014	5,790,000	0.92
Granted	-	-
Expired	(150,000)	1.00
Forfeited	(840,000)	1.14
Balance, March 31, 2015	**4,800,000**	**0.88**

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2015.

	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	3,200,000	3.6	$0.18	2,133,331	$0.18
$1.99	500,000	1.8	$1.99	500,000	$1.99
$2.00	670,000	0.7	$2.00	670,000	$2.00
$3.05	430,000	1.2	$3.05	430,000	$3.05
	4,800,000	**2.8**	**$0.88**	**3,733,331**	**$1.08**

E) Share-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.

The following table summarizes the changes in contributed surplus:

	March 31, 2015 ($)	December 31, 2014 ($)
Balance, beginning of period	11,016,003	9,548,106
Share-based compensation expense	20,752	247,011
Expiry of warrants	-	1,220,886
Balance, end of period	**11,036,755**	**11,016,003**

No options were granted during the three months ended March 31, 2015.

NOTES *(continued)*

Per common share amounts

The basic weighted average number of common shares outstanding for the three months ended March 31, 2015 and 2014 were 79,600,768. As the Corporation has recorded losses for the three months ended March 31, 2015 and 2014, 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, 2015 there was no options outstanding in-the-money that could potentially dilute basic earnings per share. For the three months ended March 31, 2014 there was 3,840,000 options outstanding that were in-the-money that were excluded in the calculation of diluted earnings per share because they were antidilutive given the Corporation's net loss.

F) Accumulated other comprehensive income

	March 31, 2015 ($)	**December 31, 2014 ($)**
Balance, beginning of period	(5,458,569)	(6,495,474)
Foreign exchange gain on translation of foreign operations	169,751	1,036,905
Balance, end of period	**(5,288,818)**	**(5,458,569)**

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 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 7.

5. Supplemental Cash Flow Information

Changes in non-cash working capital:

	Period ended March 31, 2015 ($)	Period ended March 31, 2014 ($)
Accounts receivable	(12,980)	1,315,297
Prepaid expenses and deposits	15,789	14,673
Accounts payables and accrued liabilities	(316,217)	(1,223,403)
Other	221,486	53,446
Change in non-cash working capital	**(91,922)**	**160,013**

6. 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, accounts receivable, accounts payable and accrued liabilities. The fair value of these financial instruments approximates 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 cash and cash equivalents, 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

The Corporation's accounts receivable is limited to amounts largely pertaining to 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, 2015, the Corporation's cash and cash equivalents included $197,587 denominated in Australian dollars (March 31, 2014 – $1,040,550). A decrease or increase of one percent to the Australia / Canada foreign exchange rate would have decreased or increased the other comprehensive loss by $1,976 for the three months ended March 31, 2015 (March 31, 2014 – $10,406). 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, 2015, 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 7.

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, 2015 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.

7. COMMITMENTS AND CONTINGENCIES

Office lease

As at March 31, 2015, the Corporation had the following office lease commitments:

	Total ($)	2015 ($)	2016 ($)	2017 ($)
Office lease	**129,837**	52,442	71,157	6,238

During the three months ended March 31, 2015, the Corporation expensed $15,040 relating to operating leases it maintained throughout the periods (March 31, 2014 - $18,730).

Litigation

During the year ended December 31, 2014, Macquarie Capital Markets Canada Ltd. filed a Statement of Defence and Counterclaim against the Corporation in response to a Statement of Claim filed by the Corporation against Macquarie in the Court of Queen's Bench of Alberta. The Corporation will vigorously proceed with its lawsuit against Macquarie and its defence of the Counterclaim.

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

Al Kroontje
Businessman
Calgary, Alberta

Michael Hibberd
Businessman
Calgary, Alberta

Officers
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President and Chief Executive Officer

Shane J. Kozak
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Chief Financial Officer

Corporate Head Office
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Bankers
HSBC Bank Canada

Trustee and Transfer Agent
Computershare Trust Company

Solicitors
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Auditors
PricewaterhouseCoopers LLP