



PetroFrontier

**Condensed Consolidated
Interim Financial Statements
June 30, 2015**

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Canadian Dollars)

<i>As at</i>	June 30, 2015	December 31, 2014
ASSETS		
Current		
Cash	9,923,443	10,438,097
Accounts receivable	46,357	140,357
Prepaid expenses and deposits	28,629	43,675
	9,998,429	10,622,129
LIABILITIES		
Current		
Accounts payable and accrued liabilities	80,045	408,426
	80,045	408,426
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	125,952,046	125,952,046
Contributed surplus (Note 4)	11,027,546	11,016,003
Accumulated other comprehensive income (Note 4)	(5,288,357)	(5,458,569)
Deficit	(121,772,851)	(121,295,777)
	9,918,384	10,213,703
	9,998,429	10,622,129

See accompanying notes to the condensed consolidated interim financial statements

Material contracts, commitments and contingencies (note 7)

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE EARNINGS/(LOSS)

(Unaudited)

(Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
EXPENSES				
General and administrative	270,218	556,761	522,365	959,486
Loss on marketable securities	-	16,969	-	16,895
Foreign exchange (gain)/loss	-	-	-	(280)
Share-based compensation/(recovery) (note 4)	(9,209)	73,523	11,543	151,951
Results from operating activities	261,009	647,253	533,908	1,128,052
Finance income	22,157	20,999	56,834	50,984
Net finance income	22,157	20,999	56,834	50,984
NET LOSS	(238,852)	(626,254)	(477,074)	(1,077,068)
OTHER COMPREHENSIVE EARNINGS				
<i>Items that may be reclassified subsequently to net income (loss):</i>				
Foreign exchange gain/(loss) on foreign operations	461	(823,017)	170,212	2,656,610
COMPREHENSIVE EARNINGS/(LOSS)	(238,391)	(1,449,271)	(306,862)	1,579,542
Net loss per share				
Basic and diluted (note 4)	(0.00)	(0.01)	(0.01)	(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	-	-	-	-	(477,074)	(477,074)
Foreign exchange gain on translation of foreign operations	-	-	-	170,212	-	170,212
Share-based compensation	-	-	11,543	-	-	11,543
Balance at June 30, 2015	125,952,046	-	11,027,546	(5,288,357)	(121,772,851)	9,918,384
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	-	-	-	-	(1,077,068)	(1,077,068)
Foreign exchange gain on translation of foreign operations	-	-	-	2,656,610	-	2,656,610
Share-based compensation	-	-	151,951	-	-	151,951
Balance at June 30, 2014	125,952,046	1,220,886	9,700,057	(3,838,864)	(80,084,305)	52,949,820

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONSOLIDATION STATEMENT OF CASH FLOWS

(Unaudited)

(Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2015	2014	2015	2014
Cash provided by (used in)				
OPERATING				
Net loss from continuing operations	(238,852)	(626,254)	(477,074)	(1,077,068)
Unrealized loss on marketable securities	-	16,969	-	16,895
Share-based compensation/(recovery)	(9,209)	73,523	11,543	151,951
Net finance income	(22,157)	(20,999)	(56,834)	(50,984)
	(270,218)	(556,761)	(522,365)	(959,206)
Change in non-cash working capital (Note 5)	93,912	181,438	1,990	341,451
Cash flow from (used in) operating activities	(176,306)	(375,323)	(520,375)	(617,755)
INVESTING				
Interest received	22,157	20,999	56,834	50,984
Cash flow from investing activities	22,157	20,999	56,834	50,984
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	622	(27)	(51,113)	9,886
Increase/(decrease) in cash and cash equivalents	(153,527)	(354,351)	(514,654)	(556,885)
Cash and cash equivalents, beginning of the period	10,076,970	7,257,071	10,438,097	7,459,605
Cash and cash equivalents and term deposits, end of the period	9,923,443	6,902,720	9,923,443	6,902,720

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

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 and six months ended June 30, 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. 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. This process is still ongoing.

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.

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 August 26, 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.

NOTES (continued)

As indicated in note 1 above, these condensed consolidated interim financial statements of the Corporation as at and for the three and six months ended June 30, 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

	Six Months Ended June 30, 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.

NOTES (continued)

The following table summarizes the changes to the Corporation's option plan for the six months ended June 30, 2015:

	Number of options	Weighted average price (\$)
Balance, December 31, 2014	5,790,000	0.92
Granted	-	-
Expired	(150,000)	1.00
Forfeited	(1,073,334)	0.93
Balance, June 30, 2015	4,566,666	0.92

The following table summarizes stock options outstanding and exercisable under the plan at June 30, 2015.

Exercise price(\$)	Options outstanding			Options exercisable	
	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	2,966,666	3.3	\$0.18	2,133,331	\$0.18
\$1.99	500,000	1.6	\$1.99	500,000	\$1.99
\$2.00	670,000	0.5	\$2.00	670,000	\$2.00
\$3.05	430,000	0.9	\$3.05	430,000	\$3.05
	4,566,666	2.5	\$0.92	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:

	June 30, 2015 (\$)	December 31, 2014 (\$)
Balance, beginning of period	11,016,003	9,548,106
Share-based compensation expense	11,543	247,011
Expiry of warrants	-	1,220,886
Balance, end of period	11,027,546	11,016,003

No options were granted during the three and six months ended June 30, 2015.

NOTES (continued)

Per common share amounts

The basic weighted average number of common shares outstanding for the three and six months ended June 30, 2015 and 2014 were 79,600,768. As the Corporation has recorded losses for the three and six months ended June 30, 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 and six months ended June 30, 2015 there was no options outstanding in-the-money that could potentially dilute basic earnings per share. For the three and six months ended June 30, 2014 there was 3,800,000 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) 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:

	Three month ended		Six month ended	
	June 30		June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Accounts receivable	106,980	54,743	94,000	1,370,040
Prepaid expenses and deposits	(743)	(22,522)	15,046	(7,849)
Accounts payables and accrued liabilities	(12,164)	224,550	(328,381)	(998,853)
Other	(161)	(75,333)	221,325	(21,887)
Change in non-cash working capital	93,912	181,438	1,990	341,451

NOTES (continued)

6. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of cash, 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 June 30, 2015, the Corporation's cash and cash equivalents included \$172,812 denominated in Australian dollars (June 30, 2014 – \$1,081,166). A decrease or increase of one percent to the Australia / Canada foreign exchange rate would have decreased or increased the other comprehensive loss by \$1,728 for the six months ended June 30, 2015 (June 30, 2014 – \$10,812). Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations.

Interest rate risk

At June 30, 2015, the Corporation had no outstanding bank debt and is not exposed to interest rate risk at this time.

NOTES (continued)

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 June 30, 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. MATERIAL CONTRACTS, COMMITMENTS AND CONTINGENCIES

Exploration Permits

On May 20, 2015, Exploration Permits 103 and 104 expired and were relinquished to the Northern Territory Government of Australia. The Corporation is currently awaiting confirmation from the Northern Territory Government that this expiry and relinquishment has been satisfied.

On June 13, 2015, Exploration Permit 128 expired. The Corporation's joint venture partner Baraka has applied for its extension and both the Corporation and Statoil Australia Theta BV ("Statoil") have agreed to permit Baraka to apply for this extension in accordance with the governing Joint Operating Agreement ("JOA"). Should Baraka be successful in negotiating an extension of Exploration Permit 128 with the Northern Territory Government, the Corporation's respective working interest will be transferred and assigned to Baraka in accordance with the JOA.

Exploration Permit 127 is scheduled to expire on December 13, 2015. The Corporation and Statoil have agreed to permit Baraka to apply for this extension in accordance with the governing JOA. Should Baraka be successful in negotiating an extension of Exploration Permit 127 with the Northern Territory Government, the Corporation's respective working interest will be transferred and assigned to Baraka in accordance with the JOA.

NOTES (continued)

Office lease

As at June 30, 2015, the Corporation had the following office lease commitments:

	Total	2015	2016	2017
	(\$)	(\$)	(\$)	(\$)
Office lease	112,356	34,961	71,157	6,238

During the three and six months ended June 30, 2015, the Corporation expensed \$23,366 and \$38,406 relating to operating leases it maintained throughout the periods (June 30, 2014 - \$17,481 and \$36,211).

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

Al Kroontje
Businessman
Calgary, Alberta

Michael Hibberd
Businessman
Calgary, Alberta

Officers

Earl P. Scott
President and Chief Executive Officer

Shane J. Kozak
Vice President Finance and
Chief Financial Officer

Corporate Head Office

520, 1011 – 1st Street S.W.
Calgary, Alberta T2R 1J2

Bankers

HSBC Bank Canada

Trustee and Transfer Agent

Computershare Trust Company

Solicitors

Burstall Winger Zammitt LLP

Auditors

PricewaterhouseCoopers LLP