PetroFrontier

Condensed Consolidated Interim Financial Statements

September 30, 2015

PetroFrontier Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Canadian Dollars)

As at	**September 30, 2015**	**December 31, 2014**
ASSETS		
Current		
Cash	9,808,948	10,438,097
Accounts receivable	15,657	140,357
Prepaid expenses and deposits	51,642	43,675
	9,876,247	**10,622,129**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	94,909	408,426
	94,909	408,426
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	125,952,046	125,952,046
Contributed surplus (Note 4)	11,044,452	11,016,003
Accumulated other comprehensive income (Note 4)	(5,282,059)	(5,458,569)
Deficit	(121,933,101)	(121,295,777)
	9,781,338	10,213,703
	9,876,247	**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 September 30		Nine months ended September 30	
	2015	**2014**	**2015**	**2014**
EXPENSES				
General and administrative	162,809	719,428	685,174	1,678,914
Loss on marketable securities	-	38,340	-	55,235
Foreign exchange (gain)/loss	-	-	-	(280)
Share-based compensation/(recovery) (note 4)	16,906	75,081	28,449	227,032
Impairment	-	40,508,100	-	40,508,100
Results from operating activities	**179,715**	**41,340,949**	**713,623**	**42,469,001**
Finance income	19,465	168,312	76,299	219,296
Net finance income	**19,465**	**168,312**	**76,299**	**219,296**
NET LOSS	**(160,250)**	**(41,172,637)**	**(637,324)**	**(42,249,705)**
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange gain/(loss) on foreign operations	**6,298**	**(1,446,341)**	**176,510**	**1,210,269**
COMPREHENSIVE EARNINGS/(LOSS)	**(153,952)**	**(42,618,978)**	**(460,814)**	**(41,039,436)**
Net loss per share				
Basic and diluted (note 4)	**(0.00)**	**(0.52)**	**(0.01)**	**(0.53)**

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	-	-	-	-	(637,324)	(637,324)
Foreign exchange gain on translation of foreign operations	-	-	-	176,510	-	176,510
Share-based compensation	-	-	28,449	-	-	28,449
Balance at September 30, 2015	**125,952,046**	**-**	**11,044,452**	**(5,282,059)**	**(121,933,101)**	**9,781,338**
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	-	-	-	-	(42,249,705)	(42,249,705)
Foreign exchange gain on translation of foreign operations	-	-	-	1,210,269	-	1,210,269
Share-based compensation	-	-	227,032	-	-	227,032
Expiry of warrants	-	(1,220,886)	1,220,886	-	-	-
Balance at September 30, 2014	**125,952,046**	**-**	**10,996,024**	**(5,285,205)**	**(121,256,942)**	**10,405,923**

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONSOLIDATION STATEMENT OF CASH FLOWS

(Unaudited)

(Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2015	**2014**	**2015**	**2014**
Cash provided by (used in)				
OPERATING				
Net loss from continuing operations	(160,250)	(41,172,637)	(637,324)	(42,249,705)
Unrealized loss on marketable securities	-	38,340	-	55,235
Share-based compensation/(recovery)	16,906	75,081	28,449	227,032
Net finance income	(19,465)	(168,312)	(76,299)	(219,296)
Impairment	-	40,508,100	-	40,508,100
	(162,809)	(719,428)	(685,174)	(1,678,634)
Change in non-cash working capital (Note 5)	29,217	(4,194,429)	31,207	(3,852,978)
Cash flow from (used in) operating activities	**(133,592)**	**(4,913,857)**	**(653,967)**	**(5,531,612)**
INVESTING				
Exploration and evaluation expenditures	-	4,333,198	-	4,333,198
Interest received	19,465	168,312	76,299	219,296
Cash flow from investing activities	**19,465**	**4,501,510**	**76,299**	**4,552,494**
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(368)	396	(51,481)	10,282
Increase/(decrease) in cash and cash equivalents	(114,495)	(411,951)	(629,149)	(968,836)
Cash and cash equivalents, beginning of the period	9,923,443	6,902,720	10,438,097	7,459,605
Cash and cash equivalents and term deposits, end of the period	**9,808,948**	**6,490,769**	**9,808,948**	**6,490,769**

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 nine months ended September 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 has been extensive and 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 November 25, 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 and nine months ended September 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

	Nine Months Ended September 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.

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

	Number of options	Weighted average price ($)
Balance, December 31, 2014	5,790,000	0.92
Granted	-	-
Expired	(150,000)	1.00
Forfeited	(1,860,000)	0.99
Balance, September 30, 2015	**3,780,000**	**0.88**

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 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	2,500,000	3.1	$0.18	1,666,665	$0.18
$1.99	500,000	1.3	$1.99	500,000	$1.99
$2.00	470,000	0.2	$2.00	470,000	$2.00
$3.05	310,000	0.7	$3.05	310,000	$3.05
	3,780,000	**2.5**	**$0.88**	**2,946,665**	**$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:

	September 30, 2015 ($)	December 31, 2014 ($)
Balance, beginning of period	11,016,003	9,548,106
Share-based compensation expense	28,449	247,011
Expiry of warrants	-	1,220,886
Balance, end of period	**11,044,452**	**11,016,003**

No options were granted during the three and nine months ended September 30, 2015.

Per common share amounts

The basic weighted average number of common shares outstanding for the three and nine months ended September 30, 2015 and 2014 were 79,600,768. As the Corporation has recorded losses for the three and nine months ended September 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 nine months ended September 30, 2015 there was no options outstanding in-the-money that could potentially dilute basic earnings per share. For the three and nine months ended September 30, 2014, nil and 3,800,000 options outstanding that were in-the-money 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 September 30		**Nine month ended September 30**	
	2015 $	**2014 $**	**2015 $**	**2014 $**
Accounts receivable	30,700	(4,469,785)	124,700	(3,099,745)
Prepaid expenses and deposits	(23,013)	11,584	(7,967)	3,735
Accounts payables and accrued liabilities	14,864	170,990	(313,517)	(827,863)
Other	6,666	92,782	227,991	70,895
Change in non-cash working capital	**29,217**	**(4,194,429)**	**31,207**	**(3,852,978)**

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 September 30, 2015, the Corporation's cash and cash equivalents included $203,475 denominated in Australian dollars (September 30, 2014 – $998,807). A decrease or increase of one percent to the Australia / Canada foreign exchange rate would have decreased or increased the other comprehensive loss by $2,035 for the nine months ended September 30, 2015 (September 30, 2014 – $9,998). Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations.

Interest rate risk

At September 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 September 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. Should Baraka be unsuccessful and not be granted the permit, both the Corporation and Statoil intend to relinquish the permit to the Northern Territory Government.

Exploration Permit 127 is scheduled to expire on December 13, 2015. The Corporation and Statoil have agreed to permit Baraka to apply for its 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. Should Baraka be unsuccessful and not be granted the permit, both the Corporation and Statoil intend to relinquish the permit to the Northern Territory Government.

NOTES *(continued)*

Office lease

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

	Total ($)	2015 ($)	2016 ($)	2017 ($)
Office lease	**94,875**	17,480	71,157	6,238

During the three and nine months ended September 30, 2015, the Corporation expensed $20,243 and $58,649 relating to operating leases it maintained throughout the periods (September 30, 2014 - $17,481 and $52,442).

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 has not recorded a contingent liability associated with the Counterclaim as the Corporation is of the opinion the Counterclaim is without merit. 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
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HSBC Bank Canada

Trustee and Transfer Agent
Computershare Trust Company

Solicitors
Burstall Winger Zammit LLP

Auditors
PricewaterhouseCoopers LLP