PetroFrontier

Condensed Consolidated
Interim Financial Statements
March 31, 2016

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended March 31, 2016.

NOTICE TO READER OF THE INTERIM FINANCIAL STATEMENTS

The condensed interim consolidated financial statements of PetroFrontier Corp. comprising the accompanying condensed consolidated statement of financial position as at March 31, 2016 and the condensed consolidated statement of loss and comprehensive loss, changes in equity and cash flows for the three month period then ended are the responsibility of the Company's management.

These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, PricewaterhouseCoopers LLP. The condensed interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these consolidated financial statements in accordance with International Financial Reporting Standards.

Signed: "Robert Iverach"	signed: "Robert Gillies"
Robert Iverach	Robert Gillies
Chief Executive Officer	Chief Financial Officer

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Canadian Dollars)

As at	March31, 2016	December 31, 2015
ASSETS		
Current		
Cash	8,971,811	9,595,006
Accounts receivable	23,003	48,627
Prepaid expenses and deposits	29,358	37,800
	9,024,172	**9,681,433**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	96,222	63,509
	96,222	63,509
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	125,952,046	125,952,046
Contributed surplus	11,048,889	11,048,889
Accumulated other comprehensive income	(5,267,967)	(5,267,967)
Deficit	(122,805,018)	(122,115,044)
	8,927,950	9,617,924
	9,024,172	**9,681,433**

See accompanying notes to the condensed consolidated interim financial statements

Commitments and contingencies (Note 7)

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Canadian Dollars)

	For the three months ended March 31	
	2016	**2015**
EXPENSES		
General and administrative (Note 11)	702,627	252,147
Foreign exchange gain	2,696	-
Share-based compensation (Note 5)	-	20,752
Results from operating activities	**705,323**	**272,899**
Finance income	**15,349**	**34,677**
NET LOSS	**(689,974)**	**(238,222)**
OTHER COMPREHENSIVE EARNINGS		
Foreign exchange gain on foreign operations	-	169,751
COMPREHENSIVE LOSS	**(689,974)**	**(68,471)**
Net loss per share (Note 4)		
Basic and diluted	**0.01**	**0.00**

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(Canadian Dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance at January 1, 2016	**125,952,046**	**11,048,889**	**(5,267,967)**	**(122,115,044)**	**9,617,924**
Net loss	-	-	-	(689,974)	(689,974)
Balance at March 31, 2016	**125,952,046**	**11,048,889**	**(5,267,967)**	**(122,805,018)**	**8,927,950**
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**

See accompanying notes to the condensed consolidated interim financial statements

PetroFrontier Corp.

CONDENSED CONSOLIDATION STATEMENT OF CASH FLOW

(Unaudited)

(Canadian dollars)

	For the three months ended March 31	
	2016	**2015**
Cash provided by (used in)		
OPERATING		
Net loss	(689,974)	(238,222)
Share-based compensation	-	20,752
Finance income	(15,349)	(34,677)
Change in non-cash working capital (Note 5)	66,779	(91,922)
Cash flow from operating activities	**(638,544)**	**(344,069)**
INVESTING		
Interest received	15,349	34,677
Cash flow from investing activities	**15,349**	**34,677**
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	-	(51,735)
Decrease in cash and cash equivalents	(623,195)	(361,127)
Cash, beginning of year	9,595,006	10,438,097
Cash, end of period	**8,971,811**	**10,076,970**

See accompanying notes to the 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 exploring for new petroleum assets. The Corporation had previously 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, 2016 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 had 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.

The Corporation in no longer actively involved in Australia due to the lack of exploratory potential of the lands. As such the carrying value of the Corporation's exploration and evaluation assets in Australia was written off in 2014.

On March 2, 2015, the Corporation announced that it had retained GMP Securities L.P. ("GMP") 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. On February 11, 2016, the Corporation announced that it had extended the term of its engagement with GMP as the Corporation's exclusive financial advisor, for an additional six months.

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 May 24, 2016, 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 2015 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, 2016 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

	Three Months Ended March 31, 2016		**Year Ended December 31, 2015**	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of year	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**

NOTES *(continued)*

C) Stock options

Officers and directors of the Corporation have been 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 year ended December 31, 2015 and three months ended March 31, 2016:

	Number of options	Weighted average price ($)
Balance, December 31, 2014	5,790,000	0.92
Expired	(620,000)	1.76
Forfeited	(1,860,000)	0.99
Balance, December 31, 2015 & March 31, 2016	**3,310,000**	**0.72**

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2016.

	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	1.3	$0.18	2,500,000	$0.18
$1.99	500,000	0.2	$1.99	500,000	$1.99
$3.05	310,000	0.3	$3.05	310,000	$3.05
	3,310,000	**1.0**	**$0.72**	**3,310,000**	**$0.72**

D) Per common share amounts

The basic weighted average number of common shares outstanding for the three months ended March 31, 2016 and 2015 were 79,600,768. As the Corporation has recorded a loss for the three months ended March 31, 2016 and 2015, 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, 2016 and 2015 no options were in-the-money.

E) 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 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. 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 months ended March 31 ($)	
	2016	**2015**
Accounts receivable	25,623	(12,980)
Prepaid expenses and deposits	8,441	15,789
Accounts payables and accrued liabilities	32,715	(316,217)
Other	-	221,486
Change in non-cash working capital	**66,779**	**(91,922)**

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 March 31, 2016, the Corporation's cash and cash equivalents included $190,080 denominated in Australian dollars (December 31, 2015 – $198,043). 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, 2016 and December 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, 2016 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

Australian Acreage

As of December 31, 2015, the Corporation had successfully satisfied all minimum work requirements associated with all of its acreage in Australia and all of the Corporation's permits have been or are in the process of being relinquished to the government of Northern Territory, Australia.

Office lease

As at March 31, 2016, the Corporation had the following office lease commitments:

	2016 ($)	2017 ($)	Total ($)
Office lease commitments	53,368	6,238	**59,606**
	53,368	6,238	**59,606**

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 on July 7, 2014. 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.

8. EXPENSES BY NATURE

The main components of the Corporation's general and administrative expenditures are as follows:

	Three months ended March 31	
	2016 ($)	**2015 ($)**
Salaries and benefits	133,087	139,586
Severance costs	465,000	-
Office costs	54,064	44,650
Professional fees	39,515	61,706
Corporate and regulatory	10,961	6,205
	702,627	**252,147**

Directors

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

Al Kroontje
Businessman
Calgary, Alberta

Michael Hibberd
Businessman
Calgary, Alberta

Paul Cheung
Businessman
Calgary, Alberta

Officers

Robert J. Iverach
Chief Executive Officer

Robert L. Gillies
Vice President Finance, Secretary and Chief Financial Officer

Corporate Head Office

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

Trustee and Transfer Agent

Computershare Trust Company

Solicitors

Burstall Winger Zammit LLP

Auditors

PricewaterhouseCoopers LLP