PetroFrontier

Condensed Interim Consolidated Financial Statements

September 30, 2017

THIRD QUARTER 2017 CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONDENSED 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 September 30, 2017.

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 September 30, 2017 and the condensed consolidated statement of loss and comprehensive loss, changes in equity and cash flows for the three and nine month period then ended are the responsibility of the Company's management.

These condensed interim 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 condensed interim consolidated financial statements in accordance with International Financial Reporting Standards.

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

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Canadian Dollars)

As at	Note	September 30, 2017	December 31, 2016
ASSETS			
Current			
Cash		445,511	3,226,614
Trade and other receivables		928,793	851,970
Prepaid expenses and deposits		180,863	90,142
		1,555,167	4,168,726
Property and equipment	**5**	20,195,196	18,526,706
		21,750,363	**22,695,432**
LIABILITIES			
Current			
Trade and other payables		1,645,480	1,126,187
Purchase price consideration payable	**12**	-	616,181
Decommissioning liabilities	**7**	-	294,675
		1,645,480	2,037,043
Debenture	**6**	2,757,357	2,663,207
Decommissioning liabilities	**7**	3,487,881	3,168,823
		7,890,718	7,869,073
SHAREHOLDERS' EQUITY			
Share capital	**8**	131,202,046	131,202,046
Contributed surplus	**8**	11,853,110	11,717,009
Accumulated other comprehensive loss		(5,269,883)	(5,269,883)
Deficit		(123,925,628)	(122,822,813)
		13,859,645	14,826,359
		21,750,363	**22,695,432**

See accompanying notes to the condensed interim consolidated financial statements

Commitments and contingencies (Note 10)

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	**2016**	**2017**	**2016**
PETROLEUM REVENUE	1,537,431	558,142	4,242,493	558,142
Less: royalties	(140,299)	(52,275)	(347,836)	(52,275)
	1,397,132	**505,867**	**3,894,657**	**505,867**
EXPENSES				
Production operating costs	809,074	471,001	2,511,965	471,001
General and administrative (note 11)	445,337	729,401	1,285,580	1,611,197
Foreign exchange	-	1,915	-	1,915
Depletion and depreciation (note 5)	257,615	84,566	728,106	84,566
Accretion on decommissioning liabilities (note 7)	60,473	49,844	178,412	49,844
Share-based compensation (note 8)	29,587	224,863	136,101	224,863
	1,602,086	**1,561,590**	**4,840,166**	**2,443,386**
Finance income	(812)	(12,777)	(4,344)	(42,966)
Finance expense	54,507	38,045	161,650	38,045
	53,695	**25,268**	**157,306**	**(4,921)**
NET LOSS	**(258,649)**	**(1,080,991)**	**(1,102,815)**	**(1,932,598)**
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange income on foreign operations	-	7,912	-	-
COMPREHENSIVE LOSS	**(258,649)**	**(1,073,079)**	**(1,102,815)**	**(1,932,598)**
Net loss per share				
Basic and diluted (note 8)	**(0.00)**	**(0.01)**	**(0.01)**	**(0.02)**

See accompanying notes to the condensed interim consolidated 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, 2017	**131,202,046**	**11,717,009**	**(5,269,883)**	**(122,822,813)**	**14,826,359**
Net loss	-	-	-	(1,102,815)	(1,102,815)
Share-based compensation	-	136,101	-	-	136,101
Balance at Sept. 30, 2017	**131,202,046**	**11,853,110**	**(5,269,883)**	**(123,925,628)**	**13,859,645**
Balance at January 1, 2016	**125,952,046**	**11,048,889**	**(5,267,967)**	**(122,115,044)**	**9,617,924**
Net loss	-	-	-	(1,932,598)	(1,932,598)
Issuance of common shares (note 4)	5,250,000	-	-	-	5,250,000
Share-based compensation (note 8)	-	224,863	-	-	224,863
Balance at Sept. 30, 2016	**131,202,046**	**11,273,752**	**(5,267,967)**	**(124,047,642)**	**13,160,189**

See accompanying notes to the condensed interim consolidated financial statements

PetroFrontier Corp.

CONDENSED CONSOLIDATION STATEMENT OF CASH FLOWS

(Unaudited)

(Canadian dollars)

	Note	Nine months ended Sept. 30, 2017	2016
Cash provided by (used in)			
OPERATING			
Net loss		(1,102,815)	(1,932,598)
Depletion and depreciation	**5**	728,106	84,566
Accretion on decommissioning liabilities	**7**	178,412	49,844
Convertible debt accretion	**6**	94,150	38,045
Share-based compensation		136,101	224,863
Change in non-cash working capital	**9**	176,152	40,982
Cash flow provided by (used in) operating activities		**210,106**	**(1,494,298)**
INVESTING			
Expenditures on property and equipment		(2,375,028)	(108,347)
Interest paid		-	(15,000)
Purchase price consideration payment	**12**	(616,181)	-
Acquisition of resource properties			(3,500,000)
Cash flow used in investing activities		**(2,991,209)**	**(3,623,347)**
Decrease in cash and cash equivalents		(2,781,103)	(5.117,645)
Cash and cash equivalents and term deposits, beginning of year		3,266,614	9,595,006
Cash and cash equivalents, end of period		**445,511**	**8,284,537**

See accompanying notes to the condensed interim consolidated financial statements

PetroFrontier Corp.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

1. REPORTING ENTITY

PetroFrontier Corp. (the "Corporation") was incorporated in Alberta, Canada on February 6, 2009 under the name Australia Energy Corp. The Corporation's head office is located at Suite 900, 903 – 8th Ave. S.W. Calgary, Alberta, Canada T2P 0P7. The Corporation is engaged in exploring for and the production of petroleum and natural gas in western Canada.

The condensed consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2017 comprises the Corporation and its two inactive wholly-owned subsidiaries, PetroFrontier Australia Pty Ltd and Texalta Australia Pty Ltd. Unless otherwise indicated the term "Corporation" refers to both the Corporation and its wholly-owned subsidiaries.

2. CORPORATE INFORMATION

The Corporation had been an oil and gas exploration corporation engaged in the acquisition, exploration, and development of both conventional and unconventional petroleum assets in Australia's Southern Georgina Basin. On July 21, 2016, the Corporation acquired certain resource assets in the Cold Lake area of northeastern Alberta from Kasten Energy Inc. ("Kasten").

3. BASIS OF PRESENTATION

A) Statement of compliance

These condensed interim consolidated 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 interim consolidated financial statements are based on IFRS issued and outstanding as of November 21, 2017, the date the condensed interim consolidated financial statements were approved by the Corporation's Audit Committee for issuance. The policies applied are consistent throughout all periods presented in these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2016 annual consolidated financial statements.

B) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in note 4 to the 2016 annual consolidated financial statements.

NOTES *(continued)*

C) Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

D) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are outlined in the Company's financial statements for the year ended December 31, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements should be read in conjunction with the annual financial statements and accompanying notes for the year ended December 31, 2016. These condensed interim financial statements have been prepared following the same accounting policies as described in note 4 of the Company's annual consolidated financial statements for the year ended December 31, 2016.

Accounting standards issued but not yet applied

The standards and interpretations that are issued but not yet effective up to the date of issuance pf the Corporation's financial statements are listed below:

In May 2014, the IASB issued IFRS 15, *"Revenue from Contracts with Customers"* ("IFRS 15") to replace IAS 11*, "Construction Contracts"*, IAS 18, *"Revenue"* and a number of revenue-related interpretations. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS is effective for years beginning on or after January 1, 2018 with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of adopting IFRS 15 on the Corporation's consolidated financial statements but at this time, believes the impact if any, will be minimal. Additional disclosure may be required upon implementation of IFRS 15 in order to provide sufficient information to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In July 2014, the IASB issued IFRS 9, *"Financial Instruments"* ("IFRS 9") which is intended to replace IAS 39, *"Financial Instruments: Recognition and Measurement"*. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Corporation is currently evaluating the impact of adopting IFRS 9 on the Corporation's consolidated financial statements.

In January 2016, the IASB issued IFRS 16, *"Leases"* ("IFRS 16") to replace IAS 17, *"Leases"*. Under IFRS 16, a single recognition and measurement model will apply for lessees, which will require recognition of assets and liabilities for most leases. IFRS 16 is effective for years beginning on or after January 1, 2019 with earlier adoption permitted. The Corporation is currently evaluating the impact of adopting IFRS 16 on the Corporation's consolidated financial statements.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

		Oil & Gas Properties	Office Equipment		Total
Cost					
Balance, December 31, 2016	$	18,740,903	9,610	$	18,750,513
Retirement		-	(3,233)		(3,233)
Additions		2,396,596	-		2,396,596
Balance, September 30, 2017	$	21,137,499	6,377	$	21,143,876
Accumulated Depreciation					
Balance, December 31, 2016	$	(218,448)	(5,359)		(223,807)
Retirement		-	3,233		3,233
Depletion and depreciation		(726,512)	(1,594)		(728,106)
Balance, September 30, 2017		(944,960)	(3,720)		(948,680)
Net book value, September 30, 2017	**$**	**20,192,539**	**2,657**	**$**	**20,195,196**

At September 30, 2017, future development costs of $37,787,000 associated with proved and probable reserves are included in costs subject to depletion.

6. DEBENTURE PAYABLE

Balance, December 31, 2016	$	2,663,207
Accretion in the period		94,150
Balance, September 30, 2017	$	**2,757,357**

On July 21, 2016, the Corporation issued a 3% secured convertible debenture in the principal amount of $3,000,000 to Kasten. The debenture matures no later than June 30, 2019 and is secured against the property of the Corporation with interest payable monthly.

The Corporation may redeem the debenture prior to maturity as follows:

- By a cash payment of the principal and interest outstanding at the time or;
- By the issuance of common shares at a conversion price of $0.157 if the Corporation has completed a minimum $2,000,000 flow-through private placement ("FT Placement") of common shares ("FT Shares") on or before June 30, 2018 at a price of not less than $0.157 per FT Share and the average price of WTI crude as quoted on NMYEX is the USD$50 (for the 20-day period ending five days before the repayment date).

The holder of the debenture may convert the debenture at any time prior to maturity if the FT Placement has been completed. The conversion price into common shares shall not be less than the Market Price, as defined by regulatory authorities, on the day of conversion.

For accounting purposes, the debenture has been separated into their liability and equity component using the effective interest rate method. The effective interest rate method was based on the estimated rate for a debenture without a conversion feature. At the date of issuance, the fair value of the convertible debenture was allocated to the liability, $2,610,000 based on the fair value of the liability component, which was determined using future cash flows discounted at a rate of 8%.

7. DECOMMISSIONING LIABILITY

The Corporation's total decommissioning liability is estimated based on the Corporation's net ownership in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities, as well as an estimate of the future timing of the costs to be incurred.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant. The total undiscounted amount of the estimated cash flows required to settle its decommissioning liabilities are approximately $4,232,500 which will be settled over the operating lives of the underlying assets, estimated to occur primarily over the next ten years. A credit adjusted interest rate of 7% and an inflation rate of 2% were used to calculate the decommissioning liability. Settlement of the liability will be funded from general corporate funds at the time of retirement or removal.

Changes to the liabilities were as follows:

Decommissioning Liabilities	**2017 ($)**	**2016 ($)**
Balance, beginning of year	3,463,498	-
Liabilities incurred or acquired	41,128	2,908,153
Revisions to previously recorded liabilities	(195,157)	(15,563)
Settlement of decommissioning liabilities	-	-
Accretion	178,412	49,844
Balance, end of period	**3,487,881**	**2,942,343**

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

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of year	149,600,768	131,202,046	79,600,768	125,952,046
Issuance on acquisition of business	-	-	70,000,000	5,250,000
Balance, end of period	**149,600,768**	**131,202,046**	**149,600,768**	**131,202,046**

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 40% on the date of grant, 30% on the first anniversary date of the grant, and 30% on the second anniversary date of the grant. The exercise price of each option equals the market price or greater of the Corporation's common shares on the date of grant.

The following table summarizes the changes to the Corporation's option plan:

	Nine months ended September 30, 2017			Year ended December 31, 2016		
	#		Weighted average exercise price	#		Weighted average exercise price
Outstanding, beginning of year	**13,900,000**	**$**	**0.16**	3,310,000	$	0.72
Expired	**-**		**-**	(2,210,000)		3.05
Issued	**-**		**-**	12,800,000		0.16
Outstanding, end of period	**13,900,000**	**$**	**0.16**	13,900,000	$	0.16
Exercisable, end of period	**6,220,000**	**$**	**0.16**	6,220,000	$	0.16

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 2017.

	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	1,100,000	1.08	$0.18	1,100,000	$0.18
$0.16	12,800,000	3.83	$0.16	5,120,000	$0.16

D) Contributed surplus

The following table summarizes the changes in contributed surplus:

	September 30, 2017 ($)	December 31, 2016 ($)
Balance, beginning of year	11,717,009	11,048,889
Equity component of debenture	-	390,000
Share-based compensation expense	136,101	278,120
Balance, end of period	**11,853,110**	**11,717,009**

E) Per common share amounts

	Nine months ended Sept. 30,	
	2017	**2016**
Issued common shares, beginning of year	**149,600,768**	79,600,768
Weighted average number of shares issued	-	-
Weighted average number of common shares, end of year – basic & diluted	**149,600,768**	79,600,768

As the Corporation has recorded a loss for the nine and three months ended September 30, 2017 and 2016, 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 nine months ended September 30, 2017 and 2016 no options were in-the-money.

9. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital for the nine months ending September 30 is as follows:

	2017 ($)	2016 ($)
Accounts receivable	(76,823)	(525,588)
Prepaid expenses and deposits	(90,721)	49,588
Accounts payables and accrued liabilities	343,696	516,982
Change in non-cash working capital	**176,152**	**40,982**

10. COMMITMENTS AND CONTINGENCIES

Office lease

The Corporation has an office lease that requires monthly payments of $8,288 and expires March 29, 2019.

Drilling commitments

Under its current joint venture agreements, the Corporation had commitments to drill two horizontal wells and re-activate eight wells by November 30, 2017 which commitments have been satisfied. There are 5 remaining commitment wells to be drilled under the said joint venture agreements consisting of one well by November 30, 2018, two wells by November 30, 2019 and two wells by November 30, 2020.

Litigation

During the year ended December 31, 2014, Macquarie Capital Markets Canada Ltd. filed a Statement of Defense 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 is proceeding with its lawsuit against Macquarie and its defense of the Counterclaim.

11. EXPENSES BY NATURE

The main components of the Corporations general and administrative expenditures are as follows:

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2017 ($)	**2016 ($)**	**2017 ($)**	**2016 ($)**
Salaries and benefits	241,680	188,471	733,032	336,660
Severance costs	-	-	-	465,000
Office costs	71,177	73,418	246,188	135,132
Professional fees	126,175	461,465	283,561	605,726
Corporate and regulatory	6,305	6,047	22,799	68,679
	445,337	**729,401**	**1,285,580**	**1,611,197**

12. RELATED PARTIES

The Corporation is related to Kasten as a director of the Corporation is also an officer of Kasten. Pursuant to the 2016 Agreement of Purchase & Sale regarding the Kasten Assets, Kasten agreed to act as a bare trustee during the transitional period which primarily included receiving the monthly cash receipts from petroleum and natural gas sales and forwarding the monies to the Corporation. During 2017, the following additional transactions occurred with Kasten:

- The $3,000,000 debenture issued to Kasten as part of the 2016 purchase consideration remains outstanding
- A final adjusting payment of $616,181 was paid in respect of the 2016 purchase of the Kasten Assets
- Interest expense of $161,650 was recorded in the Statement of Loss and Comprehensive Loss related to the debenture. At September 30, 2017, interest of $22,500 was included in Trade and other payables on the Statement of Financial Position

During the first quarter of 2017, the Corporation acquired $97,642 of drilling inventory at fair value from a supplier in which a director holds an interest.

NOTES *(continued)*

Directors

Robert J. Iverach
Chairman of the Board of Directors and Chief Executive Officer
Calgary, Alberta

Kelly Kimbley
President, PetroFrontier Corp.
Calgary, Alberta

Al Kroontje
Businessman
Calgary, Alberta

Michael Hibberd
Businessman
Calgary, Alberta

Paul Cheung
Businessman
Calgary, Alberta

Officers

Robert J. Iverach
Chief Executive Officer

Kelly Kimbley
President

Robert Gillies
Vice President Finance and Chief Financial Officer

Corporate Head Office

900, 903 – 8th Avenue S.W.
Calgary, Alberta T2P 0P7

Trustee and Transfer Agent

Computershare Trust Corporation

Solicitors

Burstall Winger Zammit LLP

Auditors

PricewaterhouseCoopers LLP