Condensed Interim Consolidated Financial Statements

June 30, 2019

SECOND QUARTER 2019 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 June 30, 2019.

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 June 30, 2019 and the condensed consolidated statement of income (loss) and comprehensive income (loss), changes in equity and cash flows for the three and six-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 condensed interim consolidated financial statements in accordance with International Financial Reporting Standards.

Signed: "Kelly Kimbley"	Signed: "Robert Gillies"
Kelly Kimbley Chief Executive Officer	Robert Gillies Chief Financial Officer

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian Dollars)

As at	**Note**		**June 30, 2019**		**December 31, 2018**
			(Unaudited)		*(Audited)*
ASSETS					
Current					
Cash		$	131,472	$	76,766
Trade and other receivables			687,464		46,422
Prepaid expenses and deposits			39,647		58,272
			858,583		181,460
Property and equipment	**5**		19,567,388		19,759,745
Exploration and evaluation assets	**12**		250,000		250,000
		$	**20,675,971**	**$**	**20,191,205**
LIABILITIES					
Current					
Trade and other payables		$	2,469,938	$	2,233,272
Current portion of decommissioning liabilities	**8**		90,000		90,000
Debenture	**6**		2,847,498		3,000,000
Convertible note payable	**7**		500,000		500,000
			5,907,436		5,823,272
Convertible note payable	**7**		433,042		500,000
Decommissioning liabilities	**8**		3,538,937		3,398,018
			9,879,415		9,221,290
SHAREHOLDERS' EQUITY					
Share capital	**9**		131,202,046		131,202,046
Contributed surplus	**9**		11,929,829		11,912,279
Accumulated other comprehensive loss			(5,269,883)		(5,269,883)
Deficit			(127,065,436)		(126,874,527)
			10,796,556		10,969,915
		$	**20,675,971**	**$**	**20,191,205**

See notes to the condensed interim consolidated financial statements

Going concern (note 2)
Commitments and contingencies (Note 12)

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)
(Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2019	**2018**	**2019**	**2018**
PETROLEUM REVENUE	985,710	1,283,113	1,732,934	2,211,681
Less: royalties	(87,005)	(92,991)	(134,282)	(172,030)
	898,705	**1,190,122**	**1,598,652**	**2,039,651**
EXPENSES				
Production operating costs	368,613	567,414	838.022	1,353,171
General and administrative (note 13)	335,469	417,034	663,661	796,345
Depletion and depreciation (note 5)	116,741	194,146	227,456	417,316
Accretion on decommissioning liabilities (note 8)	69,760	63,037	140,919	125,649
Fair value adjustment of debenture payable (note 6)	(195,000)	63,037	(195,000)	125,649
Share-based compensation	-	35,500	-	35,500
	696,982	**1,277,131**	**1,675,058**	**2,727,982**
Finance expense (note 13)	**82,332**	**25,319**	**114,503**	**47,819**
NET AND COMPREHENSIVE INCOME (LOSS)	**119,391**	**(112,328)**	**(190,909)**	**(736,150)**
Net income (loss) per share				
Basic and diluted (note 9)	**0.00**	**(0.00)**	**(0.00)**	**(0.01)**

See notes to the condensed interim consolidated financial statements

PetroFrontier Corp.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)
(Canadian Dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance at January 1, 2019	**131,202,046**	**11,912,279**	**(5,269,883)**	**(126,874,527)**	**10,969,915**
Net loss	-	-	-	(190,909)	(190,909)
Equity component of convertible note payable	-	17,550	-	-	17,550
Balance at June 30, 2019	**131,202,046**	**11,929,829**	**(5,269,883)**	**(127,065,436)**	**10,796,556**
Balance at January 1, 2018	**131,202,046**	**11,870,862**	**(5,269,883)**	**(124,584,319)**	**13,218,706**
Net loss	-	-	-	(736,150)	(736,150)
Share-based compensation	-	35,500	-	-	35,500
Balance at June 30, 2018	**131,202,046**	**11,906,362**	**(5,269,883)**	**(125,320,469)**	**12,518,056**

See notes to the condensed interim consolidated financial statements

PetroFrontier Corp.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Canadian dollars)

	Note	Six months ended March 31, 2019	2018
Cash provided by (used in)			
OPERATING			
Net loss		$ (190,909)	$ (726,150)
Depletion and depreciation	**5**	227,456	417,316
Accretion on decommissioning liabilities	**8**	140,919	125,649
Accretion on debt		43,090	125,649
Fair value adjustment of debenture	**6**	(195,000)	
Share-based compensation		-	35,500
Change in non-cash working capital	**10**	(389,299)	(339,696)
Cash flow used in operating activities		**(363,743)**	**(175,721)**
FINANCING			
Advance on convertible note payable		450,000	500,000
Cash flow provided by financing activities		**450,000**	**500,000**
INVESTING			
Expenditures on property and equipment		(31,551)	(119,430)
Cash flow used in investing activities		**(31,551)**	**(119,430)**
Increase (decrease) in cash and cash equivalents		54,706	(116,811)
Cash and cash equivalents and term deposits, beginning of year		76,766	221,461
Cash and cash equivalents, end of period		**$ 131,472**	**$ 104,650**

See notes to the condensed interim consolidated financial statements

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 registered office is 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 consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2019 comprises the Corporation and its two wholly-owned, inactive Australian subsidiaries, PetroFrontier (Australia) Pty Ltd (“PetroFrontier Australia”) and Texalta (Australia) Pty Ltd (“Texalta Australia”).

2. GOING CONCERN

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") as they apply to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Corporation continues to incur losses from operations as evidenced by the 2019 net loss of $190,909, and has a working capital deficiency of $5,048,853 (December 31, 2018 - $5,641,812). Refer to Note 11 for the assessment of working capital deficiency. These circumstances cause material uncertainties that may cast significant doubt upon the Corporation’s ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these conditions, the Corporation negotiated two credit facilities. The initial credit facility was negotiated in 2018 to a maximum $1,500,000 and a second credit facility was negotiated in April 2019 to a maximum of $2,000,000 and are further described in note 7. The Corporation has also taken steps to reduce operational costs and has extended the maturity date of the debenture for a further year.

These undertakings, while significant, may not be sufficient in and of themselves to enable the Corporation to fund all aspects of future operations, and accordingly, management will need to pursue other financing alternatives to fund the Corporation so that it may continue as a going concern. The necessary financing may require the issuance of equity and/or debt instruments or farmouts. There is no assurance that such initiatives may be successful.

There can be no assurance that the Corporation will become profitable or be able repay the trade and other payables, and the debenture. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of the statement of financial position items if the going concern assumption is inappropriate and these adjustments could be material.

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 August 27, 2019, 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 2018 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 2018 annual consolidated financial statements.

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, 2018.

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, 2018. 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, 2018 except as noted below:

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. This new accounting pronouncement did not have a material impact as the Corporation has no leases extending beyond 12 months.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

		Oil & Gas Properties	Office Equipment		Total
Cost					
Balance, December 31, 2017	$	21,709,382	6,377	$	21,715,759
Revisions – decommissioning liabilities		(317,881)	-		(317,881)
Additions		234,937	-		234,937
Balance, December 31, 2018		21,626,438	6,377		21,632,815
Additions		35,099	-		35,099
Balance, June 30, 2019	$	21,661,537	6,377	$	21,667,914
Accumulated Depreciation					
Balance, December 31, 2017	$	(1,129,313)	(4,252)	$	(1,133,565)
Depletion and depreciation		(737,380)	(2,125)		(739,505)
Balance, December 31, 2018		(1,866,693)	(6,377)		(1,873,070)
Depletion and depreciation		(227,456)	-		(227,456)
Balance, June 30, 2019	$	(2,094,149)	(6,377)	$	(2,100,526)
Net book value, June 30, 2019	**$**	**19,567,388**	**-**	**$**	**19,567,388**
Net book value, December 31, 2018	**$**	**19,759,745**	**-**	**$**	**19,759,745**

At June 30, 2019, future development costs of $42,497,000 (2018 - $42,496,000) associated with proved and probable reserves are included in costs subject to depletion.

The Corporation has reviewed for impairment indicators at June 30, 2019 and determined there were no indicators of impairment.

6. DEBENTURE PAYABLE

	June 30, 2019 ($)	December 31, 2018 ($)
Balance, beginning of year	3,000,000	3,000,000
Fair value adjustment	(195,000)	
Accretion in the year	42,498	-
	2,847,498	**3,000,000**
Less: current portion	**(2,847,498)**	**(3,000,000)**
Balance, end of period	**-**	**-**

On July 21, 2016, the Corporation issued a 3% secured convertible debenture in the principal amount of $3,000,000 to Kasten (note 5). The debenture was to mature no later than June 30, 2019 and is secured against the property of the Corporation. In June 2019, the debenture holder extended, at no cost to the Corporation, the maturity date of the debenture for one year subject to a 60 day notice period dependent on certain events occurring, with interest payable at maturity and has cancelled the conversion feature contained in the original debenture issued in 2016.

The liability component of the debenture was recognized at its fair value based on a market rate of 10%. The difference between the face value of the debenture and the fair value, being $195,000, will be accreted over the life of the debenture through profit and loss.

The Corporation may redeem the debenture prior to maturity by a cash payment of the principal and outstanding interest.

7. CONVERTIBLE NOTES PAYABLE

		#1	#2		Total
Balance, beginning of year	$	500,000	-	$	500,000
Advances in the period		-	450,000		450,000
Equity component of the liability		-	(17,550)		(17,550)
Accretion of the note payable		-	592		592
		500,000	433,042		933,042
Less; current portion		(500,000)	-		(500,000)
Balance, June 30, 2019	$	-	433,042	$	433,042

Convertible Note #1

On May 16, 2018, the Corporation finalized a credit facility with a corporation controlled by a director (the "Lender"), which provides for a credit facility not exceeding $1,500,000. The advances under the credit facility bear interest at 8% per annum payable at maturity and are secured by a General Security Agreement with the minimum advance being $500,000.

The Lender will have the option to convert the advances under the credit facility into common shares of the Corporation ("Common Shares"). The conversion price per Common Share shall be: (i) $0.08 for the first year of the term of the loan; and (ii) $0.10 for the second year of the term of the loan.

The credit facility matures two years from the date of closing being April 27, 2020. As at June 30, 2019, $500,000 has been advanced as Convertible Note #1 under this credit facility.

Convertible Note #2

On June 3, 2019, the Corporation finalized a credit facility with a corporation controlled by a director (the "Lender"), which provides for a credit facility not exceeding $2,000,000. The advances under the credit facility bear interest at 8% per annum payable at maturityand are secured by a General Security Agreement.

The Lender will have the option to convert the advances under the credit facility into common shares of the Corporation ("Common Shares"). The conversion price per Common Share shall be: (i) $0.065 for the first year of the term of the loan; and (ii) $0.10 for the second year of the term of the loan.

The credit facility matures two years from the date of closing being June 3, 2021. As at June 30, 2019, $450,000 has been advanced under this credit facility.

Convertible Note #2 is comprised of both a debt and equity component. The debt component represents the discounted present value of the principal payment required at maturity, using an interest rate of 10% that would have been applicable to a non-convertible debt instrument of comparable risk and term at the date of issuance. The equity component represents the conversion feature and in included in Contributed Surplus.

8. 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 $5,017,254 (December 31, 2018 - $5,017,254) 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 8% (2018 – 7%) and an inflation rate of 2% (2018 – 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	**June 30 2019 ($)**	**December 31 2018 ($)**
Balance, beginning of year	**3,488,018**	3,549,422
Revisions to previously recorded liabilities	**-**	(317,881)
Accretion	**140,919**	256,477
	3,628,937	3,488,018
Current portion (note 12)	**(90,000)**	(90,000)
Balance, end of period	**3,538,937**	3,398,018

9. 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, 2019		**Year Ended December 31, 2018**	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning and end of year	**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:

	Six months ended June 30, 2019			**Year ended December 31, 2018**		
	#	Weighted average exercise price		#	Weighted average exercise price	
Outstanding, beginning of year	**12,800,000**	**$**	**0.16**	13,900,000	$	0.16
Expired	**-**		**-**	(1,100,000)		-
Outstanding, end of year	**12,800,000**	**$**	**0.16**	12,800,000	$	0.16
Exercisable, end of period	**12,800,000**	**$**	**0.16**	12,800,000	$	0.16

The following table summarizes stock options outstanding and exercisable under the plan at June 30, 2019.

	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**
$0.16	12,800,000	2.08	$0.16	12,800,000	$0.16

D) Contributed surplus

The following table summarizes the changes in contributed surplus:

	June 30, 2019 ($)	**December 31, 2018 ($)**
Balance, beginning of year	11,912,279	11,870,862
Equity component of convertible note payable	17,550	
Share-based compensation expense	-	41,417
Balance, end of period	**11,929,829**	11,912,279

E) Per common share amounts

	Six months ended June 30, **2019**	2018
Weighted average number of common shares, end of period – basic & diluted	**149,600,768**	149,600,768

As the Corporation has recorded a loss for the six months ended June 30, 2019 and 2018, 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.

F) Management of capital structure

The Corporation's objective is to maintain a capital base so as 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.

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2019 ($)	**2018 ($)**
Accounts receivable	(641,042)	(200,017)
Prepaid expenses and deposits	18,626	(16,277)
Accounts payables and accrued liabilities	233,117	(123,402)
Change in non-cash working capital	**(389,299)**	**(339,696)**

11. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Corporation’s financial instruments recognized in the statement of financial position consist of cash, trade and other receivables, deposits, trade and other payables, convertible notes payable and debenture. The fair value of these financial instruments approximates their carrying amounts due to their short terms to maturity except for the convertible notes payable and debenture which have been fair valued as previously described.

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.

Credit risk

Credit risk is primarily related to the Corporation's trade receivables from petroleum and natural gas marketers and the risk of financial loss if a marketer fails to meet its contractual obligation. The Corporation's policy to mitigate credit risk associated with these receivables is to establish marketing relationships with large, credit worthy purchasers. The Corporation has not experienced any collection issues with its petroleum and natural gas marketers. As at June 30, 2019 and December 31, 2018, the Corporation's trade accounts receivable were all current. There is no material provision expected on the outstanding receivables as at June 30, 2019.

Interest rate risk

At June 30, 2019 and December 31, 2018, the Corporation had no outstanding floating interest rate 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 trade and other payables, convertible notes payable and the debenture, all of which are current in nature.

The Corporation has a working capital deficiency of $5,048,853 at June 30, 2019 (December 31, 2018 - $5,641,812). The Corporation expects it will have adequate liquidity to fund its existing financial liabilities and ongoing operating and general administrative expenses through its existing operations and using its existing credit facilities, refer also to note 2, Going Concern.

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/debt financing on favorable terms. The Corporation has no defaults or breaches on any of its financial liabilities. The Corporation expects to satisfy obligations under trade and other payable in less than one year.

The Corporation has a commitment to drill two wells in 2019. The Corporation may be required to secure debt and/or equity financing in order to meet their 2019 capital commitment otherwise the petroleum and natural gas lease may not be renewed.

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, 2019 and December 31, 2018, there is no current direct exposure to fluctuations in interest rates. The Corporation is exposed to fluctuations in commodity prices which affects the Corporation's revenue and any adverse fluctuations in interest 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.

12. COMMITMENTS AND CONTINGENCIES

Office lease

The Corporation had an office lease that required monthly payments of $8,288 and expired March 29, 2019. The lease was extended to July 31, 2019 and is now on a month to month basis at $8,000 per month.

For the period ended June 30, 2019, the Corporation expensed $44,365 related to operating leases (2018 - $37,742).

Drilling commitments

The Corporation has an extension, subject to regulatory approval, to drill one well on its existing Cold Lake leases by November 30, 2019 at a cost of approximately $650,000.

In addition, as required under the Big Stone Development Agreement discussed below, the Corporation is required to spud five (5) test wells and complete, cap, plug or abandon the drilled wells. If the wells are not drilled by the expiry date, the lease shall then terminate with respect to all spacing units within the Leased Lands. The expiry dates are as follows:

- On or before September 30, 2019, one well must be spud which is subject to discussions on an extension approval;
- Between March 31, 2019 and March 30, 2020, an additional two (2) wells must be spud;
- Between March 31, 2020 and March 30,2021, an additional two (2) wells must be spud.

The Corporation may be required to secure debt and/or equity financing or a farmout arrangement in order to meet their future capital commitment otherwise the petroleum and natural gas leases may not be renewed.

Decommissioning obligations

Pursuant to the Inactive Well Compliance Program ("IWC Program"), the Alberta Energy Regulator (the "AER") identified 13 wells in which the Corporation has a working interest that required some form of surface and/or downhole reclamation work. The AER requested the work be completed by March 31, 2019. Due to unusually inclement weather in the Cold Lake area this winter, there remains 6 of the 13 wells that require reclamation work under the IWC Program. While the Corporation has not technically complied with its notification requirements under the IWC Program, the AER has not issued any final notices or enforcement action pertaining to its obligations under the IWC Program nor indicated any such notice or action is forthcoming. The Corporation's estimates the reclamation work will cost a total of $90,000 and that amount has been included in the current portion of decommissioning liabilities on the Consolidated Statement of Financial Position at June 30, 2019.

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 continuing with its lawsuit against Macquarie and its defense of the Counterclaim.

Development Agreement

On May 9, 2018, the Corporation entered into a development agreement (the "Agreement") for $250,000 with Bigstone Oil & Gas Ltd., the wholly-owned energy Corporation of the Bigstone Cree Nation. This amount has been included in Exploration and Evaluation Assets on the Statements of Financial Position. The Agreement provides for the development of an initial 3,040 acres of oil and gas rights from surface to the base of the Mannville in the Wabasca area of north-central Alberta under lease to Bigstone Oil & Gas Ltd. (the "Lease"). The Lease provides for an Alberta Provincial Crown equivalent royalty with a minimum rate of 10%. Under the terms of the Agreement, PetroFrontier, as operator, has the right to earn a 90% before payout working interest and 50% after payout working interest in five earning wells to be drilled by March 31, 2021 and a 50% working interest in the balance of the Lease.

13. EXPENSES BY NATURE

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

	Three months ended June 30		**Six months ended June 30**	
	2019 ($)	**2018 ($)**	**2019 ($)**	**2018 ($)**
Salaries and benefits	164,251	217,630	329,388	469,072
Office costs	135,676	92,547	180,326	161,262
Professional fees	26,115	94,394	136,112	147,715
Corporate and regulatory	9,427	12,463	17,835	18,296
	335,469	**417,034**	**663,661**	**796,345**

The main components of the Corporation's finance expense are as follows:

	Three months ended June 30		**Six months ended June 30**	
	2019 ($)	**2018 ($)**	**2019 ($)**	**2018 ($)**
Interest on debentures and convertible note	39,242	-	71,413	-
Accretion of debentures	43,090	25,319	43,090	47,819
	82,332	**25,319**	**114,503**	**47,819**

14. RELATED PARTIES

The Corporation is related to Kasten Energy Inc. ("Kasten") as a director of the Corporation is also an officer of Kasten. Pursuant to the Agreement of Purchase & Sale regarding the Kasten assets, Kasten agreed to act as a bare trustee which primarily included receiving the monthly cash receipts from petroleum and natural gas sales and forwarding the monies to the Corporation.

Other related party transactions are as follows:

- The $3,000,000 debenture issued to Kasten as part of the 2016 purchase consideration remains outstanding.
- Interest expense for the six months ended June 30, 2019 related to the Kasten debenture (note 6) of $45,000 (2018 - $45,000) was recorded in the Statement of Loss and Comprehensive Loss. At June 30, 2019, $202,500 (December 31, 2018 - $157,500) remains unpaid and is included in trade and other payables.
- The convertible notes payable of $950,000 (note 7) are owing to corporations controlled by a director. Interest expense for the six months ended June 30, 2019 was $26,773 and is recorded in the Statement of Loss and Comprehensive Loss. At June 30, 2019, interest payable of $26,773 is included in trade and other payables.
- In 2018 and 2017, the Corporation acquired $406,849 of drilling inventory at fair value from a supplier in which a director holds an interest. At June 30, 2019, $128,696 (December 31, 2018 - $128,696) is included in trade and other payables.