PetroFrontier

Management's Discussion & Analysis
for the years ended
December 31, 2010 and 2009

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

PetroFrontier Corp.

December 31, 2010

This management's discussion and analysis, as provided by the management of PetroFrontier Corp. as of April 29, 2011, is to be read in conjunction with the accompanying audited consolidated financial statements and related notes as at and for the years ended December 31, 2010 and 2009. The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting currency is the Canadian dollar.

Forward-Looking Information – Certain statements contained in this document, including Management's assessment of the Corporation's future plans and operations, may constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "plan" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Corporation, or industry results, to differ materially from those expressed or implied by such forward-looking statements. The Corporation believes the expectations reflected in these forward-looking statements are based on reasonable assumptions but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this document should not be unduly relied upon. These statements speak only as of the date of this document.

Corporate Overview

Australia Energy Corp. ("AEC") was incorporated on February 6, 2009. AEC amalgamated with Pendulum Capital Corporation ("Pendulum") on December 31, 2010 to form PetroFrontier Corp. (the "Corporation"). The Corporation is engaged in the business of international petroleum exploration in Australia, through its wholly owned Australian subsidiary, PetroFrontier (Australia) Pty Ltd. ("PetroFrontier (Australia)") (formerly called Georgina Basin Energy Pty. Ltd.). When used herein, the term "Corporation" also refers to PetroFrontier (Australia) on a consolidated basis.

The common shares of the Corporation began trading on the TSX Venture Exchange on January 13, 2011, under the trading symbol "PFC".

Summary of Corporate Transactions

On February 26, 2009, Rodinia Oil Corp. ("Rodinia") and Odin Capital Corp. ("Odin") divested all of their interests in a farmout agreement (the "Texalta Farmout Agreement") with Texalta Petroleum Ltd. ("Texalta") to the Corporation. The Texalta Farmout Agreement was initially signed on December 21, 2007 between Rodinia, Odin and Texalta. Upon the transfer of all of Rodinia's and Odin's rights, title and interest in the Texalta Farmout Agreement to the Corporation, the Corporation acquired the right to earn a 50% interest in Exploration Permits 103 and 104 in the southern Georgina Basin in Northern Territory, Australia. EP 103 and EP 104 (comprising of approximately 5.7 million acres of exploratory lands) was then operated by Texalta.

In conjunction with this acquisition, on February 27, 2010 the Corporation closed a private placement by issuing 3,456,800 class "A" common shares for total proceeds of $864,200 ($845,470 net of issue costs).

Pursuant to the terms of the sale agreements between each of Rodinia, Odin and the Corporation, Rodinia and Odin each received 2,000,000 class "A" common shares of the Corporation. The Corporation and Rodinia share five common directors as well as executive management.

On April 1, 2010, the Corporation entered into two farmin agreements (the "Baraka Farmin Agreements") with Baraka Petroleum Ltd. ("Baraka"), pursuant to which the Corporation earned a 50% working interest in 7.8 million gross undeveloped acres (3.9 million net) in EP 127 and EP 128 in the Northern Territory, Australia. These exploration permits offset EP 103 and EP 104 to the north, west and south in the Southern Georgina Basin, Australia. The Corporation is the operator under the Baraka Farmin Agreements.

On August 6, 2010, AEC entered into a letter agreement with Pendulum, pursuant to which the parties planned to complete a business combination (the "Transaction") by way of an amalgamation. On October 6, 2010, AEC entered into a formal amalgamation agreement with Pendulum, pursuant to which Pendulum amalgamated with AEC under the *Business Corporations Act* (Alberta) on December 31, 2010 to form the Corporation. The Transaction constituted the qualifying transaction of Pendulum pursuant to Policy 2.4 of the TSX Venture Exchange Inc. (the "TSX Venture") Corporate Finance Manual.

Effective October 7, 2010, the Corporation and Northern Territory Oil Pty. Ltd. ("NTO") entered into a purchase and sale agreement ("NTO Agreement"), whereby the Corporation agreed to purchase NTO's entire 25% working interest in EP 127 and EP 128, which encompass approximately 7.8 million gross acres of exploratory lands. Under the terms of the NTO Agreement, the Corporation agreed to pay NTO the sum of $2.0 million CDN ($1.0 million by the payment of cash and $1.0 million by the issuance of common shares from treasury). The NTO Agreement closed on December 31, 2010 and the Corporation's working interest in EP 127 and EP 128 increased from 50% to 75%.

On December 8, 2010, the Corporation closed a brokered private placement for gross proceeds of $53,000,000 by issuing 26,500,000 subscription receipts of the Corporation at $2.00 per subscription receipt. The subscription receipts were automatically converted to common shares of the Corporation at no additional consideration, upon amalgamation with Pendulum.

On December 22 and 29, 2010, the Corporation closed two non-brokered private placements for gross proceeds of $4,546,500 and $953,500 by issuing 2,273,250 and 476,750 common shares respectively of the Corporation at $2.00 per common share.

Subsequent Events

On March 21, 2011, the Corporation and Texalta entered into an Arrangement Agreement (the "Arrangement Agreement") to complete a business combination (the "Transaction") pursuant to which the Corporation will acquire all of the outstanding shares of Texalta.

Pursuant to the terms of the Arrangement Agreement, each Texalta shareholder shall be entitled to receive, at their election: (i) C$1.58 cash for each Class A common share of Texalta ("Texalta Share"); (ii) 0.45 of a common share of the Corporation for each Texalta Share; or (iii) any combination of (i) or (ii) in respect of the Texalta Shares held thereby, subject to no more than an aggregate of $10,000,000 in cash being paid to Texalta shareholders. The Transaction requires approval by the Texalta shareholders at a special shareholders meeting expected to be held in May 2011. All directors and officers of Texalta, as well as certain shareholders representing in aggregate 30.95% of the outstanding Texalta shares, have entered into lock-up agreements to vote in favour of the Transaction. Subject to receipt of shareholder, court and regulatory approval, the Transaction is expected to close in late May 2011. Pursuant to the terms of the Arrangement Agreement, each of the Corporation and Texalta have agreed to pay to the other party a termination fee of $2,000,000 under certain circumstances.

2011 Outlook

Capital Expenditures

The Corporation's Board of Directors has approved a 2011 capital expenditure budget of $32 million net to the Corporation ($32 million gross), consisting of drilling up to six exploratory wells and the acquisition of up to approximately 1,000 km of additional 2D seismic. The six planned exploratory wells consist of up to three unconventional horizontal wells and up to three conventional vertical wells. The planned 2D seismic program will be a further delineation to the approximately 550 km of 2D seismic the Corporation acquired during Q4 2010.

The budget approved by the Board of Directors assumes that the Corporation's acquisition of Texalta closes such that the Corporation will bear 100% of the exploratory drilling and seismic costs.

2011 Drilling Program

The first well to be drilled by the Corporation will be the first horizontal well ("Baldwin-2") on EP 103. Baldwin-2 will be located close to the existing "Baldwin-1" well. Baldwin-1 will be the pilot hole for the horizontal leg of Baldwin-2 into the Basal Arthur Creek shale zone. Baldwin-2 also includes conventional targets above the Basal Arthur Creek shale zone.

The second well to be drilled by the Corporation will be a horizontal well ("MacIntyre-2") in EP 127, Northern Territory, Australia where the Corporation holds a 75% working interest and is also the operator. MacIntyre-2 is planned to be drilled in a similar manner to Baldwin-2 using the existing well as a guide for the new horizontal well. MacIntyre-2 also includes conventional targets above the Basal Arthur Creek shale zone.

The third well to be drilled by the Corporation will be a vertical well ("Ross-2") in EP 103. Ross-2 will be drilled up-dip to the existing Ross-1 well to evaluate conventional targets both above and below the Basal Arthur Creek shale zone as well as the horizontal viability of the Basal Arthur Creek shale zone itself.

The fourth well to be drilled by the Corporation will likely be another vertical well around the Ross prospect. However, this well is contingent on the results of the first three wells described above. The fifth and sixth wells will be drilled based on results and additional seismic currently planned to be acquired in 2011.

The Corporation awarded the contract to drill four wells to Major Drilling Pty. Ltd. on November 19, 2010. The rig is currently undergoing final assembly and acceptance testing in Brisbane, Queensland, Australia. There has been significant local rainfall and flooding (with accompanying road closures) which has affected both the Brisbane area and much of the remainder of the State delaying the construction of the rig and its transport to the Northern Territory. When the rig acceptance process is completed and the appropriate road transit permits have been issued, the rig will be moved approximately 3,000 kilometers (a significant proportion of which is across unsealed roads) to the Southern Georgina Basin to commence the Corporation's exploratory drilling program. The Corporation will provide a further update once an actual spud date for the first well has been confirmed with a greater degree of certainty.

2011 Seismic Program

The Corporation plans to conduct approximately 420 km of additional 2D seismic acquisition around the Ross-2 well commencing in May 2011 and approximately 540 km of additional 2D seismic acquisition around the Owen-3 well commencing in September 2011. As stated above, the fifth and sixth wells planned to be drilled by the Corporation during 2011 will be drilled on locations determined based on this additional seismic.

With the Corporation's working capital on hand, exploration land base and the extensive knowledge of the subsurface acquired through 2-D seismic acquisition and existing geological data, the Corporation is well positioned to execute a strategic exploratory seismic and drilling program to exploit the potentials of the Georgina Basin.

Overview of Consolidated Financial Results

The following selected financial data is derived from the unaudited and audited consolidated financial statements of the Corporation and reference should be made to such unaudited and audited financial statements.

	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Net loss	307,150	522,257	436,794	3,103,864
Per common share (basic and diluted)	0.02	0.03	0.03	0.16
Positive/(negative) cash flow from operations	(308,396)	(244,172)	(705,486)	1,303,021
Working capital	7,921,012	7,488,381	5,260,957	55,001,333
Petroleum and natural gas assets	2,155,412	2,181,428	4,255,433	10,215,976
Total assets	10,110,426	9,736,861	10,383,324	67,981,817
Shareholders' equity	10,076,423	9,669,809	9,516,390	65,217,309

	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Net loss	36,405	12,076	17,190	463,386
Per common share (basic and diluted)	0.01	0.00	0.00	0.06
Positive/(negative) cash flow from operations	13,256	1,775	(16,624)	(276,535)
Working capital	71,744	69,969	64,788	8,211,572
Petroleum and natural gas assets	1,865,728	2,034,104	2,073,065	2,129,008
Total assets	1,950,728	2,119,104	2,137,853	10,418,927
Shareholders' equity	1,937,472	2,104,073	2,137,853	10,340,580

Cash and cash equivalents

As at December 31, 2010 and 2009, cash and cash equivalents totaled $55,710,522 and $8,279,000, respectively. The source of the Corporation's funds as at December 31, 2010 was from the private placement financings that closed in December 2010 for gross proceeds of $58,500,000. The source of the Corporation's funds as at December 31, 2009 was from the November 2009 private placement financing totaling $9,175,000.

Restricted cash

Restricted cash increased by $58,467 from December 31, 2009. On June 15, 2010, the Corporation deposited $1,500,000 (Australian dollars) into its lawyers' trust account as evidence that it has the financial capacity to complete its obligations under the Baraka Farmin Agreements. However, if the Corporation ceases operations under the Baraka Farmin Agreements, this deposit is fully refundable. At December 31, 2010, $57,543 (Australian dollars) remained in trust and has been recorded as restricted cash.

Accounts Receivable

Accounts receivable at December 31, 2010 and 2009 were $1,675,441 and $10,919, respectively. The accounts receivable balance at December 31, 2010 relates primarily to joint venture receivables relating to the Corporation's Fourth Quarter 2010 seismic acquisition program in the Georgina Basin and Australian investment tax credits on the Corporation's qualifying expenditures which are typically received in the subsequent quarter. The accounts receivable balance at December 31, 2009 relates to Australian investment tax credits on the Corporation's qualifying expenditures.

Prepaid expenses and deposits

Prepaid expenses and deposits increased from nil at December 31, 2009 to $321,411 at December 31, 2010. The increase in prepaid expenses and deposits relates primarily to two $100,000 (Australian dollars) deposits that were paid to the Northern Territory Government of Australia in conjunction with the Corporation's Fourth Quarter 2010 seismic acquisition program in EP 103 and EP 104 in the Georgina Basin. In addition, $100,000 (Australian) was paid as a deposit in conjunction with the Baraka Farmin Agreements that will be returned to the Corporation upon satisfaction of the Farmin commitments.

Property, Plant and Equipment

Property, plant and equipment at December 31, 2010 and 2009 totaled $10,215,976 and $2,129,008, respectively. Capital expenditures for cash, for the year ended December 31, 2010 totaled $6,563,014 and related primarily to the Corporation's Q4 2010 seismic acquisition program in the Georgina Basin. Included in the property, plant and equipment balance at December 31, 2010 is a non-cash foreign exchange revaluation gain of $524,628, which has been recorded for the period in accordance with the Corporation's accounting policy for foreign exchange translation.

Effective October 7, 2010, the Corporation entered into NTO Agreement, whereby the Corporation agreed to purchase NTO's entire 25% working interest in EP 127 and EP 128 covering approximately 7.8 million gross acres of exploratory lands. Under the terms of the NTO Agreement, AEC agreed pay to NTO the sum of $2,000,000 ($1,000,000 by the payment of cash and $1,000,000 by the issuance from treasury of securities). On December 31, 2010, the Corporation closed this acquisition.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at December 31, 2010 and 2009 totaled $2,764,508 and $78,347, respectively. The substantial increase in accounts payable at the end of the current year pertains almost entirely to the Corporation's Fourth Quarter 2010 seismic acquisition program in the Georgina Basin.

Interest revenue

Interest revenue for the year ended December 31, 2010 totaled $99,881. Overall, the interest revenue for the year ended December 31, 2010 is as expected by management given the level of cash on hand during the year.

General and Administrative Expense

General and administrative ("G&A") expense for the year ended December 31, 2010 totaled $2,425,504 as compared to $355,805 for the period from incorporation on February 6, 2009 to December 31, 2009. The substantial increase in the Corporation's G&A relates primarily to an increase in staffing levels in anticipation of ramping up operations for drilling and taking the Corporation public.

Stock Based Compensation Expense

Stock based compensation expense for the year ended December 31, 2010 totaled $2,035,328 as compared to $172,421 for the period from incorporation on February 6, 2009 to December 31, 2009. The substantial increase in stock based compensation expense pertains to the fact that 3,040,000 stock options were granted in the current year as compared to 1,600,000 in the prior year.

Interest and banking

Interest and banking expenses for the year ended December 31, 2010 totaled $8,601 as compared to $831 for the period ended December 31, 2009. Overall, the interest and banking expenses for the year ended December 31, 2010 and period ended December 31, 2009 were as expected by management given the level of banking activity during the periods.

Depreciation

Depreciation expense for the year ended December 31, 2010 totaled $513. Depreciation expense relates to the Corporation's office furniture and equipment, which is depreciated at a rate of 20% per annum. Overall, depreciation expense for the year ended December 31, 2010 is as expected by management.

Net Loss from Operations

The Corporation recorded a net loss from operations for the year ended December 31, 2010 of $4,370,065 as compared to a net loss of $529,057 for the period from incorporation to December 31, 2009. As the Corporation is in the exploration phase, there is currently no oil and natural gas producing properties from which to generate revenues. The Corporation's net loss for the period was generated primarily from stock compensation (non-cash) expense, and G&A expenses including salaries, office costs, and travel costs. The net loss per share (basic and diluted) for the year ended December 31, 2010 was $0.24 per share as compared to $0.06 per share for the period from incorporation to December 31, 2009.

Comprehensive Loss

The Corporation recorded a comprehensive loss for the year ended December 31, 2010 of $3,866,527 as compared to $243,449 for the period from incorporation to December 31, 2009. The difference between net loss from operations and comprehensive loss is comprised entirely of other comprehensive income relating to the revaluation of the Corporation's assets and liabilities in accordance with the Corporation's accounting policy on foreign exchange gains and losses. During the period, the Australian dollar relative to the Canadian dollar strengthened from CAD $0.86 at December 31, 2008 to CAD $0.94 at December 31, 2009 to CAD $1.02 at December 31, 2010, resulting in a gain on the conversion of the Corporations assets net of the loss incurred on the conversion of the Corporation's liabilities.

Common share information

Weighted average outstanding common shares

	Year ended December 31, 2010	Period ended December 31, 2009
Basic and diluted[(1)]	**18,592,270**	**8,662,428**

(1) *As the Corporation has losses for all periods referenced above, 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.*

Liquidity and capital resources

The diluted numbers of common shares outstanding at December 31, 2010 and 2009 were as follows:

	December 31, 2010	December 31, 2009
Common shares	47,730,134	16,631,801
Options	4,040,000	1,600,000
Total common shares (diluted)	**51,770,134**	**18,231,801**

As at December 31, 2010 the Corporation had $55,710,522 in cash, cash equivalents and short term investments. The source of the Corporation's net working capital of $55,001,333 is a result of the private placement funds received in December 2010. The Corporation's investing activities for the period of $6,563,014 consisted primarily of the Corporation's Fourth Quarter 2010 seismic acquisition program in the Georgina Basin in addition to the acquisition of NTO's 25% working interest in EP 127 and EP 128.

With current working capital on hand, the Corporation has adequate funding to provide for general operations for a period of at least 18 months in addition to the execution of the Corporation's budgeted 2011 exploration program.

The Corporation has 4,040,000 stock options issued and outstanding as at December 31, 2010 at strike prices ranging from $0.25 to $2.00 and could potentially yield $6,136,000 of total proceeds. If all of these instruments are exercised it would result in an additional 4,040,000 common shares being issued, which represents dilution of 8.5% in comparison to the shares issued and outstanding as at December 31, 2010.

Financial Instruments and Other Instruments

The Corporation has not entered into any financial derivative contracts or other similar contracts of any type since inception. The Corporation is subject to foreign currency risk relating to expenditures incurred in Australian dollars. Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations at this time.

Material Contracts and Commitments

EP 103 Minimum Work Plan Commitment

In accordance with the terms of the EP 103 agreement with the government of the Northern Territory of Australia, the Corporation has the following minimum work commitments and timelines:

Year	Start	End	Minimum work requirements	Status/cost estimates as at December 31, 2010
Year 1	November 21, 2006	November 20, 2007	Seismic studies, reprocessing and interpretation	Completed
6 month extension of license – October 3, 2008				
6 month extension of license – March 12, 2009				
Year 2	November 21, 2007	November 20, 2009	Acquire 100 km 2D seismic	Completed
6 month extension and variation of license – January 8, 2010				
Year 3	November 21, 2009	May 20, 2011	Acquire 150 km 2D seismic	Completed
Year 4	May 21, 2011	May 20, 2012	Drill one exploration well	Outstanding
Year 5	May 21, 2012	May 20, 2013	Drill one exploration well	Outstanding

EP 104 Minimum Work Plan Commitment

In accordance with the terms of the EP 104 agreement with the government of the Northern Territory of Australia, the Corporation has the following minimum work commitments and timelines:

Year	**Start**	**End**	**Minimum work requirements**	**Status/cost estimates as at December 31, 2010**
Year 1	November 21, 2006	November 20, 2007	Seismic studies, reprocessing and interpretation	Completed
6 month extension of license – October 3, 2008				
6 month extension of license – March 12, 2009				
Year 2	November 21, 2007	November 20, 2009	Acquire 100 km 2D seismic	Completed
6 month extension and variation of license – January 8, 2010				
Year 3	November 21, 2009	May 20, 2011	Acquire 150 km 2D seismic	Completed
Year 4	May 21, 2011	May 20, 2012	Drill one exploration well	Outstanding
Year 5	May 21, 2012	May 20, 2013	Drill one exploration well	Outstanding

On April 1, 2010, the Corporation entered into the Baraka Farmin Agreements with Baraka, pursuant to which the Corporation earned a 50% working interest in 7.8 million gross undeveloped acres before royalties (3.9 million net) in EP 127 and EP 128. These exploration permits offset the Corporation's EP 103 and EP 104 to the north, west and south in the Southern Georgina Basin. The Corporation will be the Operator under the Baraka Farmin Agreements.

Under the terms of the Baraka Farmin Agreements, the Corporation is required to:

i) meet the minimum (governmental) work commitments on EP127 and EP128 for the year 3 work program (beginning in June 2010), being the "acquisition of seismic data";

ii) commence the drilling of one horizontal well into the basal Arthur Creek Shale zone on either of EP127 or EP128 by the first day of the 6th month of the year 3 work program; and

iii) commission a resource evaluation report in respect of EP127 and/or EP128, to be prepared by a reputable engineering firm of Georgina's choice, before the date that is 4 months after the date of the Baraka Farmin Agreement.

As at December 31, 2010, the Corporation had completed requirement iii) above under the Baraka Farmin Agreements. The remaining commitments under the Baraka Farmin Agreement will be met in accordance with the EP 127 and EP 128 Minimum Work Plan Commitments below.

EP 127 Minimum Work Plan Commitments

In accordance with the terms of the EP 127 agreement with the government of the Northern Territory of Australia, the Corporation has the following minimum work commitments and timelines:

Year	**Start**	**End**	**Minimum work requirements**	**Status/cost estimates as at December 31, 2010**
Year 1	December 14, 2007	December 13, 2008	Geological and geophysical studies	Completed
6 month extension and variation of license – March 17, 2010				
Year 2	December 14, 2008	June 13, 2010	Stratigraphic review Satellite structural and fracture image study	Completed
Year 3	June 14, 2010	June 13, 2011	Acquire seismic data	Outstanding
Year 4	June 14, 2011	June 13, 2012	Acquire seismic data Contingent on seismic results, drill one well	Outstanding
Year 5	June 14, 2012	June 13, 2013	Drill one well Contingent on Year 4 drilling, drill two wells	Outstanding

EP 128 Minimum Work Plan Commitments

In accordance with the terms of the EP 128 agreement with the government of the Northern Territory of Australia, the Corporation has the following minimum work commitments and timelines:

Year	Start	End	Minimum work requirements	Status/cost estimates as at December 31, 2010
Year 1	December 14, 2007	December 13, 2008	Geological and geophysical studies	Completed
6 month extension and variation of license – March 17, 2010				
Year 2	December 14, 2008	June 13, 2010	Stratigraphic review Satellite structural and fracture image study	Completed
Year 3	June 14, 2010	June 13, 2011	Acquire seismic data	Outstanding
Year 4	June 14, 2011	June 13, 2012	Acquire seismic data Contingent on seismic results, drill one well	Outstanding
Year 5	June 14, 2012	June 13, 2013	Drill one well Contingent on Year 4 drilling, drill two wells	Outstanding

As at December 31, 2010, the Corporation had the following material contracts and commitments:

	Total	**2011**	**2012**	**2013**	**2014**	**2015**
EP 103 minimum commitments	3,700,532	-	1,850,266	1,850,266	-	-
EP 104 minimum commitments	3,742,092	-	1,871,046	1,871,046	-	-
EP 127 minimum commitments	9,837,713	5,732,161	-	4,105,552	-	-
EP 128 minimum commitments	8,469,195	258,091	4,105,552	4,105,552	-	-
Office lease	13,934	13,934	-	-	-	-
	25,763,466	**6,004,186**	**7,826,864**	**11,932,416**	-	-

Off Balance Sheet Arrangements

The Corporation had no guarantees or off-balance sheet arrangements as at December 31, 2010.

Accounting Estimates

Management of the Corporation is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the consolidated financial statements are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. The following are significant accounting estimates:

- In regard to stock-based compensation the Corporation has estimated the volatility, expected life and risk-free interest rates of the stock-based compensation.

- The carrying value of petroleum and natural gas properties is limited to the future expected cash flows from the properties. If it is determined that carrying values of petroleum and natural gas properties cannot be recovered from future cash flows, the asset is written down to its estimated fair value via a charge to earnings.

- The determination of the Corporation's income and other tax liabilities and assets requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

Change in Accounting Policies and Recent Accounting Pronouncements

International Financial Reporting Standards (IFRS)

Effective January 1, 2011, Canadian publicly accountable entities are required to adopt IFRS. As a reporting issuer, the Corporation's financial statements up to, and including, the December 31, 2010 financial statements are reported in accordance with Canadian GAAP as it exists on each reporting date. The adoption date of January 1, 2011, requires the restatement, for comparative purposes, of amounts reported in 2010, including the opening balance sheet as at January 1, 2010.

To prepare, the Corporation has completed a high level IFRS changeover plan and has established a timeline for the execution and completion of the conversion. The Corporation has appointed internal staff, and has engaged the services of an external consultant, to review the impact of transitioning to IFRS and to prepare financial statements in compliance with IFRS. The Corporation's external auditors have been involved throughout the IFRS conversion process.

Below is a summary of the Corporation's accounting policies expected to have a significant impact on its financial statements. The list and comments below should not be regarded as a complete list of changes that will result from the transition to IFRS.

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented, based on standards applicable at that time. IFRS 1 provides entities adopting IFRS for the first time with certain optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. Management is in the process of analysing the various accounting policy choices available under IFRS 1 and will implement those determined to be the most appropriate for the Corporation. In particular, the following IFRS 1 exemptions are being considered in its IFRS opening balance sheet:

● Property, Plant and Equipment ("PP&E") – IFRS 1 provides an option to entities such as the Corporation who follow the full cost accounting guideline under Canadian GAAP to value their oil and gas PP&E on the date of transition to IFRS at its deemed cost, defined as the carrying value assigned to these assets under Canadian GAAP at the date of transition. Under IFRS, the Corporation's PP&E must be divided into multiple cash generating units ("CGU"), which is unlike full cost accounting where all oil and gas assets are accumulated into one cost centre. The deemed cost of the Corporation's oil and gas PP&E has been allocated to four CGUs based on the Corporation's exploration permits, being EP 103, EP 104, EP 127 and EP 128. These CGUs could change in the future as a result of changes in operations or because of significant acquisitions or dispositions.

- Stock-based compensation – IFRS 1 provides for an optional exemption to the requirements under IFRS 2 "Share-Based Payments" regarding liabilities arising from share-based payment transactions settled before the Corporation's transition to IFRS. The Corporation has elected this exemption for its options issued and vested prior to January 1, 2010. This exemption allows for these options not to be recalculated using the requirements of IFRS 2 and to be recorded using the amount determined under the entity's previous GAAP. Under Canadian GAAP, the Corporation used the straight line method over the vesting of the options to recognize its share-based compensation expense.

The following is a listing of key areas where accounting policies differ and where accounting policy decisions are necessary that will impact the Corporation's reported financial position and results of operations:

- Re-classification of Exploration and Evaluation ("E&E") expenditures from PP&E – Upon transition to IFRS, the Corporation will reclassify all E&E expenditures that are currently recognized as PP&E on the Balance Sheet. This consists of the carrying value of certain undeveloped land that relates to exploration properties and seismic expenditures. E&E assets will not be amortized and must be assessed for impairment when indicators suggest the possibility of impairment as well as upon transfer to PP&E. Management has identified that all of its property, plant and equipment meets the criteria to be classified as E&E in the opening balance sheet prepared under IFRS as at January 1, 2010.

- Calculation of depletion expense for PP&E assets – Upon transition to IFRS, the Corporation has the option to calculate depletion using a reserve base of proved reserves or both proved plus probable reserves, as compared to the Canadian GAAP method of calculating depletion using proved reserves only. Although the Corporation currently has no reserves management plans to determine its depletion expense using proved plus probable reserves as its depletion base.

- Impairment of PP&E assets – Canadian GAAP generally uses a two-step approach to impairment testing; first comparing asset carrying values with undiscounted future cash flows to determine whether an impairment exists, and then measuring impairment by comparing asset carrying values to their fair value (which is calculated using discounted cash flows). Under Canadian GAAP, the Corporation includes all assets in one impairment test.

  IFRS uses a one-step approach for testing and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use. Under IFRS, impairment of PP&E must be calculated at a more granular level than what is currently required under Canadian GAAP resulting in impairment testing being done at the CGU Level.

These differences may potentially result in impairment charges where the carrying value of assets were previously supported under Canadian GAAP by consolidated undiscounted cash flows, but could not be supported by cash flows determined on a more granular discounted basis.

At January 1, 2010 impairment tests were performed in accordance with IFRS and no impairment was identified.

- Asset retirement obligation – Under IFRS, the Corporation will be required to value its entire liability for future asset retirement costs at each balance sheet date using a current liability-specific discount rate, which can generally be interpreted to mean the current risk-free rate of interest. Under Canadian GAAP, obligations are discounted using a credit-adjusted risk-free rate and, once recorded, the asset retirement obligation is not adjusted for future changes in discount rates. At January 1, 2010 the Corporation had not recorded any asset retirement obligations and as such there are no noted changes under IFRS.

- Stock-based compensation – IFRS requires that the fair value of equity instruments incorporate an estimated forfeiture rate and that each vesting instalment be treated as a separate award (graded vesting). IFRS 1 also permits retrospective restatement for only those equity instruments not yet vested as of January 1, 2010. The Corporation will include a reasonable forfeiture rate, as required by IFRS, in the calculation of the fair value of the outstanding options. Under Canadian GAAP, forfeitures could be accounted for as they occurred. These changes are not expected to result in a significant change in the opening balance sheet.

The Corporation will continue to monitor new International Financial Reporting Standards and amendments to existing IFRS that may impact the adoption of IFRS. IFRS implementation will continue into 2011 with the Corporation preparing IFRS compliant financial statements, along with IFRS compliant comparative periods. Throughout 2011, the Corporation will continue to make the required changes to business processes, financial systems and information technology systems.

Business Combinations

In 2009 a new standard, Section 1582, Business Combinations replaced the previous business combinations standard. The new standard applies prospectively to business combinations on or after January 1, 2011 with earlier adoption permitted. Under this standard, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price at the acquisition or closing date. Under the current standard, the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is announced. In addition, the new standard requires all acquisition costs to be expensed while the current standard allows for the capitalization of these costs as part of the purchase price. The new standard also addresses contingent liabilities, which will be required to be recognized at fair value on acquisition and subsequently re-measured at each reporting period until settled. The current standard requires only contingent liabilities that are payable to be recognized. The new standard requires negative goodwill to be recognized in earnings rather than the current standard of deducting from non-current assets in the purchase price allocation. The Corporation is currently assessing the impact of the standard. The adoption of Section 1582 will also require the adoption of Sections 1601 "Consolidated Financial Statements" and 1602 "Non-controlling interests". The Corporation is currently assessing the impact of the standard.

Consolidated Financial Statements and Non-Controlling Interests

In 2009 two new standards, Sections 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests, were issued which replace the existing guidance under Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective for business combinations occurring on or after January 1, 2011, with early application permitted. The Corporation is currently assessing the impact of the standard.

Business Risks and Uncertainties

The Corporation's business is subject to risks inherent in oil and natural gas exploration and development operations. In addition, there are risks associated with the Corporation's current and future operations in the foreign jurisdictions in which it operates. The Corporation has identified certain risks pertinent to its business including: exploration and reserve risks, drilling and operating risks, costs and availability of materials and services, capital markets and the requirement for additional capital, loss of or changes to joint venture or related agreements, economic and sovereign risks, reliance on joint venture partners, market risk, volatility of future oil and natural gas prices and foreign currency risk.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves that the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomical. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental and other approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Limited Operating and Earnings History

The Corporation only recently commenced operations in Australia and has no earnings history. Accordingly, the Corporation has no operating history in the oil and gas industry in Australia and has no meaningful, historical financial information or record of performance. The Corporation's business plan requires significant expenditure, particularly capital expenditure, in its oil and gas establishment phase. Any future profitability from the Corporation's business will be dependent upon the successful development of the Corporation's lands, and there can be no assurance that the Corporation will achieve profitability in the future. There are no known quantities of oil or natural gas reserves on the Corporation's properties.

Investment Risks

Revenues, other than interest on unused funds, may not occur for some time, if at all. The timing and extent of these is variable and uncertain and accordingly the Corporation is unable to predict when, if at all, profitability will be achieved. An investment in the Common Shares is highly speculative and should only be made by persons who can afford a significant or total loss of their investment.

Cash Flow from Operations

The cash flow from operations of the Corporation for the period ended December 31, 2010 was $44,967. However, the Corporation has a history of negative cash flow from operations and the inability of the Corporation to generate positive operating cash inflow in the future could have a material adverse impact on its business, operations and prospects.

Competition

Oil and gas exploration is intensely competitive in all phases and involves a high degree of risk. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. Currently the Corporation is insulated from competition on the lands which it currently holds due to the nature of the proprietary exploration rights granted by the governing bodies under the various licenses and permits, however the Corporation may face competition on surrounding lands if it seeks to increase its land position to acquire other prospective leads. The Corporation may also face competition from competitors on lands which it currently holds a license or permit for in the event that, as a condition of the license or permit, it is required to partially relinquish certain of the lands. In this circumstance, if the Corporation elects to re-apply for such permits or licenses, there are no assurances that the Corporation will be successful. The Corporation's ability to add reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Competition may also be presented by alternate fuel sources.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Corporation or to the operators, and the delays by operators in remitting payment to the Corporation, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Corporation in a given period and expose the Corporation to additional third party credit risks.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. Recent industry conditions have led to extreme shortages of drilling equipment in certain areas. To the extent that the Corporation is not the operator of its oil and natural gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and may be unable to direct or control the activities of the operators.

Expiration of Permits, Applications and Authorities

The Corporation's properties will be held in the form of permits, applications, authorities and working interests in permits, applications and authorities. If the Corporation or the holder of the permits, applications and authorities fails to meet the specific requirement of the permits, applications or authorities, the permits, applications or authorities may terminate or expire. There can be no assurance that the obligations required to maintain each of the permits, applications and authorities will be met. The termination or expiration of the Corporation's permits, applications and authorities or the working interests relating to the permits, applications and authorities may have a material adverse effect on the Corporation's results of operations and business.

Operational Dependence

In the future other companies may operate some of the assets in which the Corporation has an interest. As a result, the Corporation may have limited ability to exercise influence over the operation of such assets or their associated costs, which could adversely affect the Corporation's financial performance. Therefore, the Corporation's return on the assets operated by others will depend upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Reliance on Key Personnel

The Corporation's success will depend in large measure on the performance of the Board and other key personnel. The loss of services of such individuals could have a material adverse affect on the Corporation. The Corporation does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Assessments of Value of Acquisitions

Acquisitions of oil and natural gas issuers and oil and natural gas assets are typically based on engineering and economic assessments made by independent engineers and the Corporation's own assessments. These assessments will include a series of assumptions regarding such factors as recoverability and marketability of oil and gas, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. In particular, the prices of, and markets for, oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geological and engineering uncertainty which could result in lower than anticipated production and reserves. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that the Corporation may use for its year-end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Corporation. Any such instance may offset the return on and value of the Common Shares.

Estimate of Fair Market Value

There are numerous uncertainties inherent in an estimate of fair market value including many factors beyond the Corporation's control. The valuations herein represent estimates only. In general, estimates are based upon a number of variable factors and assumptions, such as engineering and geophysical information pertaining to hydrocarbon potential, current material contracts of the Corporation, production history of competitors on similar land positions, access to lands, availability, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies, and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and are only attempts to define the degree of speculation involved.

Third Party Credit Risk

The Corporation is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations.

Joint Venture

The Corporation may become a party to joint venture operating agreements in the future. Under these agreements, the Corporation may be required to adapt into programs and budgets, with which it does not necessarily agree or have the cash resources to fund. It may also be required to contribute to any increases in capital expenditure requirements and/or operating costs. Furthermore, the situation could arise where any or all joint venture parties are unable to fund their pro rata contributions to expenditure, in which case the Corporation may have to make increased contributions to ensure that the program succeeds.

The Corporation will be required under joint operating agreements to pay its percentage interest of all costs and liabilities incurred by the joint venture in connection with the joint venture activity. In common with the other joint venture parties, if the Corporation fails to pay its share of any costs and liabilities it may be deemed to have withdrawn from the joint venture and may have to transfer its interests in the exploration permits and the joint operation agreements to the other joint venture participants.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Insurance

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Prior to drilling, the Corporation will obtain insurance in accordance with industry standards to address certain of these risks. However, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not be insurable in all circumstances or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

Corporate Matters

The Corporation does not anticipate the payment of any dividends on the Common Shares for the foreseeable future. Certain directors and officers of the Corporation are also directors and officers of other oil and natural gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as directors and officers of the Corporation and as directors and officers of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as applicable under the Alberta Business Corporations Act.

Title to Properties

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation. To the extent title defects do exist, it is possible the Corporation may lose all or a portion of its right, title, estate and interest in and to the properties to which the title relates.

Additional Funding Requirements

From time to time, the Corporation will require additional financing in order to carry out its oil and natural gas exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to have limited ability to expend the capital necessary to undertake or complete future exploration programs, forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly.

Currency

From time to time the Corporation may exchange Canadian currency to Australian currency; however, if the Australian dollar declines in value compared to the Canadian dollar after the currency exchange, the Corporation will not benefit from the fluctuating exchange rate.

Dilution

The Corporation may make future acquisitions or enter into financing or other transactions involving the issuance of securities of the Corporation which may be dilutive to existing shareholders.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Corporation's operations require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

In Australia, government policies and regulations vary in different states and between different governing bodies in relation to exploration, mining and marketing. The Corporation's activities will require compliance with various laws, both state and those of the Commonwealth of Australia, relating to, among other things, the protection of the environment, Aboriginal heritage and culture, native title, the protection of workers and the public. Changes in government, government policies and legislation could have a material adverse affect on the Corporation.

In particular, in order to pursue its exploration programs in Australia, the Corporation may require approval from government and non-government bodies to facilitate access to any blocks and tenements in which it has an interest. Any tenements residing within reserves, including national parks and conservation reserves, which are subject to state and Commonwealth legislation, could be subject to a change in legislation that could have a material adverse effect on the Corporation. In addition, any tenements residing in areas which are subject to government policies regarding national defense or of any other particular national interest to Australia may be subject to access requirements that could result in a material adverse affect on the Corporation.

The Corporation's licenses, permits and authorizations will be subject to applications for renewal in accordance with their terms. Where a licensee has not complied with the conditions to which an exploration permit is subject, or any directions given by the relevant Minister and the Minister is not satisfied that circumstances exist that justify the granting of the renewal of the permit, the Minister may refuse to grant a renewal of a permit. Where a Minister is satisfied that a commercially exploitable accumulation of petroleum may occur in an exploration permit area, the Minister may require the licensee to apply for a production license. A Minister may also refuse to grant a production license, or may grant a production license subject to such conditions as the Minister sees fit. If a permit is not renewed or a production license is not granted or granted subject to unfavorable conditions, the Corporation may suffer significant damage through loss of the opportunity to develop and discover that tenement and this could have an adverse affect on the Corporation's business plan.

Rights to licenses, permits and authorities held by the Corporation carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety generally. Failure to observe such requirements could prejudice the right to maintain title to a given area.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and the potential for increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Generally, Australian state and territory legislation and associated regulations include provisions for the regulation of activities on petroleum tenement lands. Statutory provisions require petroleum tenement lands to be protected and rehabilitated to ensure that environmental damage is avoidable or minimal where authorized. These provisions may require approvals and consents to be obtained before certain lands may be accessed and explored. In addition, each state and territory government may impose a wide range of obligations on tenement holders to ensure that petroleum operations comply with various environmental standards and requirements.

No assurance can be given that environmental laws will not result in a curtailment of future production (if any) or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Changes in Legislation

The return on an investment in securities of the Corporation is subject to changes in Canadian and Australian tax laws and government incentive programs and there can be no assurance that such laws or programs will not be changed in a manner that adversely affects the Corporation or the holding and disposing of the securities of the Corporation.

Legislation and regulations continue to be introduced by government and government agencies concerning the security of industrial facilities, including oil and natural gas facilities. The Corporation's operations may be subject to such laws and regulations. Presently, it is not possible to accurately estimate the costs the Corporation could incur to comply with any such laws or regulations, but such expenditures could be substantial.

Income Taxes

The Corporation will file all required income tax returns and believes that it will be in full compliance with the provisions of the Tax Act and all other applicable tax legislation. However, such returns are subject to reassessment by applicable taxation authorities. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Aboriginal Heritage

The procedures and regulatory powers set forth in applicable laws relating to Aboriginal heritage in Australia may delay, limit or prevent oil and gas exploration activities in Australia. Such procedures and powers, to the extent they affect the Corporation, may have an adverse effect on the Corporation's financial condition, results of operations or prospects.

Integrity of Disclosure

The Corporation's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

The Board is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the audited consolidated financial statements. The Board approves the annual audited consolidated financial statements and MD&A on the recommendation of the Audit Committee. The Corporation has approved and distributed to all staff a series of policy papers that include Code of Business Conduct and Ethics, Whistle Blower Policy and Procedures, Insider Trading and Reporting Guidelines, Disclosure Policy and Board Control System. Terms of References define Audit Committee and Compensation and Governance Committees. The Corporation has a defined Board Mandate. All consultant contracts are current and approved by independent members of the Board.

Additional Information

Additional information on the Corporation can be accessed at www.sedar.com or from the Corporation's website at www.petrofrontier.com or by contacting the Corporation at PetroFrontier Corp., Suite 320, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6.