PetroFrontier

Management's Discussion and Analysis for the three and six months ended June 30, 2011

PetroFrontier Corp. (the “Corporation”) is a public company engaged in the business of international petroleum exploration in Northern Territory, Australia, and has a fiscal year end of December 31.

This Management’s Discussion & Analysis (“MD&A”) is a review of how the Corporation performed during the period covered by the financial statements, and of the Corporation's financial condition and future prospects. The MD&A complements and supplements the financial statements of the Corporation, and should be read in conjunction with the accompanying financial statements and the related notes for the year ended December 31, 2010 and three months ended March 31, 2011 of the Corporation. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars, which are also generally accepted accounting principles (“GAAP”) for publically accountable enterprises in Canada. For all periods up to and including the year ended December 31, 2010, we prepared our Financial Statements in accordance with Canadian generally accepted accounting principles (“GAAP”). In accordance with the standard related to the first time adoption of IFRS, our transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with our IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following previous Canadian GAAP and, as allowed by the standard related to the first time adoption of IFRS (“IFRS 1”), has not been re-presented on an IFRS basis. The Corporation's Audit Committee has reviewed and approved the financial statements and MD&A. This MD&A is effective August 29, 2011.

Forward-Looking Statements

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 transfer, 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.

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 subsequently acquired all of the outstanding shares of Texalta.

On May 31, 2011, the Corporation closed the acquisition of Texalta by way of a plan of arrangement (the "Transaction") pursuant to the provisions of the Business Corporations Act (Alberta). Pursuant to the transaction, the Corporation issued a total of 15,444,732 common shares of the Corporation at a fair value of $3.05 per common share and paid $10,000,000 in cash consideration on a pro rata basis for the acquisition of all of the issued and outstanding Class A common shares of Texalta. The Corporation also issued a total of 222,457 common shares of the Corporation at a fair value of $3.05 per common share to holders of Texalta options in exchange for the cancellation of such options. The 1,500,000 outstanding Texalta warrants were continued/replaced with 675,000 warrants of the Corporation at an exercise price of $2.00 per common share with the warrants otherwise being continued on the same terms and conditions.

The Transaction consolidates the ownership of exploration permits EP 103 and EP 104 in Australia's Southern Georgina Basin, which represents one of the last remaining virtually unexplored, hydrocarbon prospective, onshore sedimentary basins in the world. To date, only eighteen wells have been drilled within the entire Southern Georgina Basin, an area that covers over 24 million acres. Only seven wells have been drilled to date on EP 103 and 104, which cover 5.7 million acres. Post closing of the Transaction, PetroFrontier owns a 100% working interest in EP 103 and EP 104 as well as a 75% interest in EP 127 and EP 128. In addition to conventional carbonate targets, Ryder Scott Company-Canada has prepared a report evaluating PetroFrontier's oil and natural gas resources, effective November 1, 2010, (the "Ryder Scott Report"), which estimated that the Lower Arthur Creek "Hot Shale" found in EP 103 and EP 104 contains best estimate un-risked, undiscovered original oil in place of 192 billion barrels and best estimate, un-risked, prospective recoverable oil resources of 18.8 billion barrels. In total, the Ryder Scott Report estimates that EP 103, EP 104, EP 127 and EP 128 contain 27.5 billion barrels of best estimate, un-risked prospective recoverable oil resources.

In addition, PetroFrontier acquired approximately 115 bbls/d of high netback, light oil production at Wordsworth and Queensdale in southeast Saskatchewan, as well as exploration properties at Carlyle, Saskatchewan and Joarcam, Alberta. All of Texalta's current production comes from the Mississippian-Alida formation, however; Texalta holds prospective Bakken rights in addition to the conventional targets that have been drilled.

The Transaction allows PetroFrontier to accelerate its high impact, light oil exploration program in Australia. PetroFrontier believes that the Southern Georgina Basin petroleum system is geologically analogous to proven unconventional Bakken Shale and conventional carbonate ramp plays in southeast Saskatchewan and North Dakota.

Subsequent Event

In July 2011, PetroFrontier announced that its Board of Directors adopted a Shareholder Rights Plan (the "Rights Plan"). This Rights Plan was adopted to ensure the fair treatment of shareholders in connection with any take-over offer for PetroFrontier, and to provide the Board of Directors and shareholders with additional time to fully consider an unsolicited take-over bid. The Rights Plan will also provide an opportunity, if appropriate, to pursue alternatives in order to maximize shareholder value. The Rights Plan is subject to approval of the TSX Venture Exchange and approval by PetroFrontier shareholders at PetroFrontier's next annual general and special shareholders' meeting scheduled for early November 2011. If ratified by the shareholders, the Rights Plan will have a term of three years.

Outlook

With the Corporation's $38,405,486 working capital surplus at June 30, 2011, its significant land base of 11.6 million net acres, high working interest and a thorough pre-drill analysis, the Corporation continues to focus on exploratory drilling opportunities in the Southern Georgina Basin. In March 2011, the Corporation's Board of Directors approved a 2011 capital expenditure budget of $32.0 million net to PetroFrontier ($32.0 million gross), consisting of drilling up to six exploratory wells and the acquisition of up to approximately 1,000 kilometres of additional 2D seismic.

PetroFrontier commenced drilling its first exploratory well, Baldwin-2, on August 3, 2011. Baldwin-2 is located in the southern part of EP 103 in the Southern Georgina Basin. Its primary target is the unconventional Basal Arthur Creek "hot" shale. Management believes that the Arthur Creek is potentially analogous to the Bakken play found in Saskatchewan, Canada and North Dakota, USA. PetroFrontier has re-evaluated existing wellbores on its lands and believes the unconventional Basal Arthur Creek "hot" shale zone is prospective for hydrocarbons over much of its land holdings.

PetroFrontier has a 100% working interest in EP 103 and is the operator.

Baldwin-2 is being air drilled vertically to an estimated depth of 950 metres. The well will then be extensively logged, plugged back and deviated horizontally for approximately 1,000 metres into the Basal Arthur Creek Shale. After completion of drilling the Baldwin-2 well, the rig will then move to the MacIntyre-2 well site located in the northeastern corner of EP 127. Once it is drilled, MacIntyre-2 will be frac'd and completed using multi-stage open hole techniques. The rig and frac crew will subsequently return to Baldwin-2 to conduct a similar completion program on that well.

Following the drilling and completion operations on Baldwin-2 and MacIntyre-2 the rig will then be moved to Ross-2 to commence drilling that location.

As part of the 2011 capital budget, PetroFrontier plans to acquire and process an additional 420 kilometres of 2-D seismic around the Ross-2 well commencing in July 2011 and approximately 540 kilometres around the Owen-3 well in September 2011. The fifth and sixth wells planned to by drilled by PetroFrontier will be drilled on locations determined based on this additional seismic.

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.

	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Net loss	2,906,028	1,700,127	3,103,864	436,794	522,257	330,391	463,386	17,190
Per common share (basic and diluted)	0.05	0.04	0.16	0.03	0.03	0.03	0.06	0.00
Positive/(negative) cash flow from operations	(703,870)	(1,463,245)	1,303,021	(705,486)	(244,172)	(307,542)	(276,535)	(16,624)
Working capital	38,405,486	52,933,143	55,001,333	5,260,957	7,488,381	7,921,011	8,211,572	64,788
Total assets	133,538,771	65,927,920	67,981,817	10,383,324	9,736,861	10,110,426	10,418,927	2,137,853
Shareholders' equity	112,903,757	64,168,552	65,217,309	9,516,390	9,669,809	10,076,423	10,340,580	2,137,853

Note: Q2 2009, Q3 2009, Q4 2009, Q3 2010 and Q4 2010 have not been restated for IFRS.

Cash and Cash Equivalents and Term Deposits

As at December 31, 2010, cash and cash equivalents and term deposits totaled $55,710,522 as compared to $40,053,978 as at June 30, 2011, respectively. The source of the Corporation's funds as at December 31, 2010 and June 30, 2011 was from the private placement financings that closed in December 2010 for gross proceeds of $58,500,000.

Restricted Cash

Restricted cash was nil and $58,467 as at June 30, 2011 and December 31, 2010, respectively. 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. The balance recorded at December 31, 2010 was the remainder of the funds that were held in trust under the Baraka Farmin Agreements and during the second quarter of 2011 the remainder of the funds were returned to the Corporation.

Marketable Securities

Through the acquisition of Texalta the Corporation acquired 1,217,429 common shares of Hearth Heat Resources Ltd, a publically traded company listed on the Australian Securities Exchange. The Corporation recorded a mark to market loss of $6,813 for the three and six months ended June 30, 2011 on this marketable security.

Accounts Receivable

Accounts receivable decreased from $1,675,441 at December 31, 2010 to $1,377,380 at June 30, 2011. The accounts receivable balance at June 30, 2011 and December 31, 2010 relate primarily to Australian investment tax credits on the Corporation's qualifying expenditures which are typically received in the subsequent quarter.

Prepaid Expenses and Deposits

Prepaid expenses and deposits increased from $321,411 at December 31, 2010 to $509,955 at June 30, 2011. The balance recorded 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. In addition, the Corporation paid approximately $150,000 towards prepaid drilling costs during the current quarter. The remainder of the prepaid expenses and deposits balance relates to prepaid insurance and rent.

Property, Plant and Equipment

Property, plant and equipment totaled $6,981,875 at June 30, 2011 as compared to nil at December 31, 2010. The Corporation closed the Texalta acquisition during the second quarter of 2011 resulting in an increase to property, plant and equipment of $6,981,875.

Exploration and Evaluation Assets

Exploration and evaluation assets at December 31, 2010 totaled $10,213,926 as compared to $74,785,673 at June 30, 2011. Exploration and evaluation asset expenditures incurred during the three and six months ended June 30, 2011 totaled $3,881,144 and $5,042,353 and related primarily to drilling preparations in the Georgina Basin. In addition, the Corporation closed the Texalta acquisition during the second quarter of 2011 resulting in an increase to exploration and evaluation assets of $59,009,550.

Goodwill

During the quarter ended June 30, 2011, the Corporation recorded goodwill of $9,773,469 as part of the acquisition of Texalta. The goodwill recognized on this acquisition was attributed to the strategic benefit that a large potential resource play for oil in the Arthur Creek Shale formation is expected to bring and attribute to expected future cash flows generated from the ability to unlock large resource potential through continued improvements in technology. None of the goodwill recognized is expected to be deductible for income tax purposes.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at December 31, 2010 totaled $2,764,508 as compared to $3,552,221 at June 30, 2011. The increase in accounts payable at the end of the current quarter was due to the Corporation's activity levels ramping up for drilling operations.

Financial Instruments

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

The Corporation uses forward foreign currency exchange rate contracts in order to reduce its exposure to currency risks from fluctuations in the Canadian and Australian currencies. These contracts are recorded on the Corporation's balance sheet as an asset or liability based on their current fair values. Management continually monitors the Corporation's currency risk and believes this exposure is not material to its overall operations at this time. During the three and six months ended June 30, 2011 the Corporation recorded a net loss on financial instruments of $34,012. As at June 30, 2011 the Corporation had the following forward foreign currency exchange rate contracts:

AUD bought ($)	**CAD sold ($)**	**Rate (%)**	**Term**	**Mark to market fair value**
5,000,000	5,164,500	103.29	August 22, 2011	(16,489)
1,875,000	1,931,063	102.99	September 21, 2011	(6,418)
1,250,000	1,283,625	102.69	October 21, 2011	(4,391)
1,250,000	1,279,875	102.39	November 21, 2011	(4,531)
625,000	638,063	102.09	December 30, 2011	(2,183)
				(34,012)

Asset Retirement Obligations

Asset retirement obligations at December 31, 2010 totaled nil as compared to $680,332 at June 30, 2011. The increase in asset retirement obligations at the end of the current quarter was due to the Corporation's acquisition of Texalta and the construction of the Corporation's first surface locations at Baldwin-2 and MacIntyre-2 resulting in future reclamation costs required to be included on the balance sheet as future asset retirement obligations. The Corporation used discount rates ranging from 4.74% - 5.21% to account for its asset retirement obligations.

Deferred Tax Liability

During the quarter ended June 30, 2011, the Corporation recorded a $17,137,048 deferred tax liability as part of the acquisition of Texalta. The Corporation recognized a $768,599 deferred tax recovery due to recognizing previously unrecorded deferred tax assets. As with the acquisition these deferred tax assets can now be realized.

Oil and Gas Sales

Oil and gas sales for the three and six months ended June 30, 2011 totaled $251,563 as compared to nil for the same periods in the prior year. The increase in oil and gas sales over the same periods in the prior year relates to the acquisition of Texalta. Overall, oil and gas sales for the current period were as expected by management. Production for the quarter averaged approximately 92 BOE/day, which again was as expected by management.

Crown and Other Royalties

Crown and other royalties for the three and six months ended June 30, 2011 totaled $36,750 as compared to nil for the same periods in the prior year. The increase in crown and other royalties over the same periods in the prior year relates to the acquisition of Texalta. Overall, crown and other royalties for the current period were as expected by management.

Operating

Operating expenses for the three and six months ended June 30, 2011 totaled $51,811 as compared to nil for the same periods in the prior year. The increase in operating expenses over the same periods in the prior year relates to the acquisition of Texalta. Overall, operating expenses for the current period were as expected by management.

General and Administrative

General and administrative expenses for the three and six months ended June 30, 2011 totaled $748,828 and $1,497,472 as compared to $288,206 and $550,034 for the same period in the prior year. The increase in general and administrative expense over the same period in the prior year relates to increased staffing levels to facilitate the Corporation's ongoing operations, increased office supplies and rent associated with the higher staffing levels and higher travel, accommodations, corporate reporting and professional fees associated with the Corporation now being a publically traded entity.

Foreign Exchange Loss

The Corporation recorded a foreign exchange loss of $6,611 for the three and six months ended June 30, 2011. The loss pertains entirely to Australian dollar cash that was held by the parent Corporation throughout the period.

Share-Based Compensation

Share-based compensation expense for the three and six months ended June 30, 2011 totaled $2,162,256 and $2,937,827 as compared to $180,627 and $248,210 for the same period in the prior year. The substantial increase in share-based compensation expense pertains to the fact that 5,856,667 stock options were outstanding at June 30, 2011 as compared to 2,000,000 at June 30, 2010 and due to a higher fair value per option on the more recently granted options in comparison to the options outstanding at June 30, 2010.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense for the three and six months ended June 30, 2011 totaled $167,053 and $167,179 as compared to $128 and $254 for the three and six months ended June 30, 2010. 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 three and six months ended June, 2011 and 2010 is as expected by management. During the three months ended June 30, 2011 the Corporation recorded $165,092 and $1,833 for depletion and accretion, respectively relating to depletion and accretion on certain assets acquired by the Corporation from Texalta.

Corporate Acquisition Costs

Corporate acquisition costs incurred for the three and six months ended June 30, 2011 totaled $859,745 and $1,155,590. All of these costs related to the acquisition of Texalta, which closed on May 31, 2011.

Finance income

Finance income for the three and six months ended June 30, 2011 totaled $151,758 and $273,646 as compared to $10,577 and $10,577 for the three and six months ended June 30, 2010. Overall, the finance income for the three and six months ended June, 2011 and 2010 is as expected by management given the level of cash on hand during the respective periods.

Finance costs

Finance costs for the three and six months ended June 30, 2011 totaled $4,069 and $5,898 as compared to $837 and $1,691 for the same period in the prior year. Overall, the finance costs for the comparable quarters were as expected by management given the level of banking activity during the periods.

Net Loss

The Corporation recorded a net loss for the three and six months ended June 30, 2011 of $2,906,028 and $4,606,155 as compared to a net loss of $459,221 and $789,612 for the same period in the prior year. As the Corporation is in the exploration phase, there is currently no oil and natural gas producing properties from which to generate revenues with the exception of the Saskatchewan assets acquired from Texalta on

May 31, 2011. The Corporation's net loss for the period was generated primarily from share-based 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 three and six months ended June 30, 2011 was $0.05 and $0.09 per share as compared to $0.03 and $0.05 per share for the three and six months ended June 30, 2010.

Comprehensive Loss

The Corporation recorded a comprehensive loss for the three and six months ended June 30, 2011 of $2,431,894 and $4,283,222 as compared to $560,513 and $892,253 for the three and six months ended June 30, 2010. 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 six months ended June 30, 2011, the Australian dollar relative to the Canadian dollar weakened from CAD 1.02 at December 31, 2010 to CAD 1.04 at June 30, 2011 resulting in a gain on the conversion of the Corporation's Australian assets net of the loss incurred on the conversion of the Corporation's Australian liabilities. During the six months ended June 30, 2010, the Australian dollar relative to the Canadian dollar weakened slightly from CAD 0.94 at December 31, 2009 to CAD 0.90 at June 30, 2010 resulting in a loss on foreign exchange on foreign operations.

Common Share Information

Weighted average outstanding Common Shares

	June 30, 2011	December 31, 2010
Basic and diluted[(1)]	**50,367,453**	**18,592,270**

(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 June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011	December 31, 2010
Common shares	63,493,156	47,730,134
Options	5,856,667	4,040,000
Warrants	675,000	-
Total common shares (diluted)	**70,024,823**	**51,770,134**

As at June 30, 2011, the Corporation had $40,053,978 in cash, cash equivalents, and short term investments. The source of the Corporation's net working capital of $38,405,486 is a result of the private placement funds received in December 2010. The Corporation's exploration and evaluation investing activities for the three and six months ended June 30, 2011 of $3,881,144 and $5,042,353 and consisted primarily of drilling preparation expenditures in the Georgina Basin.

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 5,856,667 stock options and 675,000 warrants issued and outstanding as at June 30, 2011 at strike prices ranging from $0.25 to $3.60 and could potentially yield $11,705,234 and $1,350,000 of total proceeds, respectively. If all of these instruments are exercised it would result in an additional 6,531,667 common shares being issued, which represents dilution of 10.3% in comparison to the shares issued and outstanding as at June 30, 2011.

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
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
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 the Corporation'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
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

During the quarter, the Corporation requested the government of the Northern Territory of Australia suspend, extend and vary the Corporation's work program commitments to facilitate unforeseen operational delays caused by floodwaters. Subsequent to quarter end, the Corporation received confirmation from the government of the Northern Territory of Australia that its requests have been accepted.

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
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

During the quarter, the Corporation requested the government of the Northern Territory of Australia suspend and extend the Corporation's work program commitments to facilitate unforeseen operational delays caused by floodwaters. Subsequent to quarter end, the Corporation received confirmation from the government of the Northern Territory of Australia that its requests have been accepted.

As at June 30, 2011, the Corporation had the following material contracts and commitments:

	Total	2011	2012	2013	2014	2015
EP 103 minimum commitments	3,768,030	-	1,884,015	1,884,015	-	-
EP 104 minimum commitments	3,810,346	-	1,905,173	1,905,173	-	-
EP 127 minimum commitments	10,021,943	5,841,507	-	4,180,436	-	-
EP 128 minimum commitments	8,628,464	267,592	4,180,436	4,180,436	-	-
Office lease	21,519	21,519	-	-	-	-
	26,250,302	**6,130,618**	**7,969,624**	**12,150,060**	-	-

Off Balance Sheet Arrangements

The Corporation had no guarantees or off-balance sheet arrangements as at June 30, 2011.

Related Party Transactions

In accordance with the terms of an Administrative Services Agreement ("ASA"), Rodinia provides certain administrative services and office accommodations to the Corporation on a cost recovery basis. Rodinia and the corporation share five common directors and three common executives. ASA charges are

recorded to general and administrative expenses in the Corporation's financial statements. For the three and six months ended June 30, 2011, Rodinia charged $230,800 of ASA expense. Included in accounts payable as at June 30, 2011, is a $306,415 payable due to Rodinia.

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 share-based compensation the Corporation has estimated the volatility, expected life and risk-free interest rates of the share-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.

Future Accounting Pronouncements

At the date of authorization of the consolidated interim financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Corporation. Management anticipates that all of the pronouncements will be adopted in the Corporation's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated financial statements.

In 2010, the International Accounting Standards Board ("IASB") issued a collection of amendments as part of its annual project "Improvements to IFRSs." The amendments address details of the recognition, measurement, and disclosure of business transactions and serve to standardize terminology. They consist mainly of editorial changes to existing standards. Except as otherwise specified, the amendments, which have not yet been endorsed, are to be applied for annual periods beginning on or after January 1, 2012. They are not expected to have a material impact on the presentation of the Corporation's financial position or results of operations.

In 2010, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded

derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. Application of IFRS 9 is mandatory for financial periods beginning on or after January 1, 2013. The new standard is not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

In May 2011, the IASB issued IFRS11. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 divides all joint arrangements into two categories: joint operation where the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangements, and joint ventures where the jointly controlling parties have rights to the net assets of the arrangement. Joint operations would be accounted for using the proportionate consolidation method where the Corporation's proportionate interest in the revenues, expenses, assets and liabilities would be disclosed, consistent with the Corporation's current accounting for joint operations. Joint ventures would be accounted for using the equity method of accounting, where the investment in the joint venture would be adjusted for the Corporation's proportion of the net income or loss of the joint venture. IFRS 11 is required to be adopted for years beginning on or after January 1, 2013, although earlier adoption is allowed. The Corporation is currently evaluating the effect of this new standard.

In May 2011, the IASB issued IFRS 12 Disclosure of Interest in Other Entities which establishes the requirements for disclosure of ownership interest in subsidiaries, joint arrangements, associates and other entities. IFRS 12 requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is required to be adopted for years beginning on or after January 1, 2013. The Corporation is currently evaluating the effect of this new standard.

In May 2011, the IASB issued IFRS 13 Fair Value Measurements which defines fair value, sets out a framework for measuring fair value and requires disclosures about fair values. IFRS 13 applies to all other IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition of fair value emphasizes a market-based measurement, not an entity-specific measurement. IFRS 13 is required to be adopted for years beginning on or after January 1, 2013. Earlier adoption is allowed. The Corporation is currently evaluating the effect of this new standard.

Disclosure Controls and Procedures

Management has designed disclosure controls and procedures to provide a reasonable level of assurance that material information relating to the Corporation is made known to the Chief Executive Officer and the Chief Financial Officer by others within the Corporation, particularly during the period in which the annual and interim filings of the Corporation are being prepared, in an accurate and timely manner in order for the Corporation to comply with its disclosure and financial reporting obligations. Consistent with the concept of reasonable assurance, the Corporation recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Corporation's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. While management of the Corporation has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Corporation's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated. No changes were made to the Corporation's internal control over financial reporting during the three and six months ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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 there from 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.

Funds Flow from Operations

Funds flow from operations, which is cash flow from operations before changes in non-cash working capital was negative $1,452,182 and $2,496,671 for the three and six months ended June 30, 2011, respectively. The Corporation has a history of negative funds 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.

Directors

Robert J. Iverach, Q.C., ICD.D
Chairman of the Board of Directors
Calgary, Alberta

Paul J. Bennett, H.BSc., MSc., P. Geol[3]
Chief Executive Officer
PetroFrontier Corp.
Calgary, Alberta

Matthew P. Philipchuk
President
PetroFrontier Corp.
Adelaide, South Australia

Dr. James W. Buckee[1][3]
Businessman
Wiltshire, UK

Kent Jespersen, BSc., MSc.
Businessman
Calgary, Alberta

Al Kroontje[1] [2]
Businessman
Calgary, Alberta

Martin P. McGoldrick, P. Eng., MBA[1][2]
Businessman
Calgary, Alberta

Donald Rae, MSc, P. Geol[2] [3]
Businessman
Calgary, Alberta

[1] Member of Audit Committee
[2] Member of the Corporate Governance and Compensation Committee
[3] Member of Reserve Committee

Officers

Paul J. Bennett, H.BSc., MSc., P. Geol
President and
Chief Executive Officer

Matthew P. Philipchuk
President

Shane J. Kozak, CA
Vice President Finance,
Chief Financial Officer and Secretary

Peter Philipchuk, H.BSc, P. Geol
Vice President Exploration

Richard Parkes
Vice President Operations

Corporate Office

320, 715 – 5th Avenue S.W.
Calgary, Alberta
T2P 2X6
Telephone: (403) 718-0366
Facsimile: (403) 718-3888
Website: www.petrofrontier.com

Bankers
HSBC
Corporate Banking
Canada Trust Tower
407, 8th Avenue S.W.
Calgary, Alberta
T2P 1E5

Trustee and Transfer Agent
Olympia Trust Company
Calgary, Alberta

Solicitor
Burstall Winger LLP
Suite 1600 - Dome Tower
333 – 7th Ave SW
Calgary, Alberta
T2P 2Z1

Auditor
PricewaterhouseCoopers LLP
111 – 5th Ave. SW
Calgary, Alberta
T2P 5L3