PetroFrontier

Management's Discussion & Analysis for the three months ended March 31, 2012 and 2011

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

PetroFrontier Corp.
March 31, 2012

PetroFrontier Corp. (the "Corporation") is a public company engaged in international petroleum exploration in Northern Territory, Australia.

This Management's Discussion & Analysis ("MD&A") is a review of the Corporation's performance, financial condition and future prospects for the period ended March 31, 2012. This MD&A should be read in conjunction with the audited consolidated annual financial statements and the related notes thereto for the years ended December 31, 2011 and 2010 and the reviewed consolidated interim financial statements for the three months ended March 31, 2012. The consolidated 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 consolidated 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 Corporation's Audit Committee has reviewed and approved the consolidated interim financial statements and MD&A, both of which are effective May 29, 2012.

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

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

2009

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, 2009 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.

2010

On April 1, 2010, the Corporation entered into two farmin agreements (the "Baraka Farmin Agreements") with Baraka Energy and Resources Limited (formerly known as Baraka Petroleum Limited) ("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 agreed 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 involving the issuance of 26,500,000 subscription receipts of the Corporation at a price of $2.00 per subscription receipt. The subscription receipts were automatically converted to common shares of the Corporation at no additional consideration, upon closing of the 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 involving the issuance of 2,273,250 and 476,750 common shares respectively of the Corporation at a price of $2.00 per common share.

2011

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 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 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.

In addition, the Corporation 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.

On August 1, 2011 and September 8, 2011, the Corporation disposed of these Canadian petroleum and natural gas properties to two different arm's length private companies, for a cash purchase price of $50,000 and $6,760,000 respectively and as a result it has been accounted for as discontinued operations.

The Transaction and subsequent dispositions consolidated the ownership of exploration permits EP 103 and 104 increasing the Corporation's working interest in these key operational blocks to 100% from 50% and allows the Corporation to focus on its core exploration program in the Northern Territories, Australia.

Outlook

As at March 31, 2012, the Corporation had a working capital surplus of $20,966,289 with no debt. The exploration and evaluation asset expenditures incurred during the three months ended March 31, 2012 totaled $808,930 and related primarily to long lead item expenditures associated with the Corporation's upcoming 2012 drilling and well completion programs in the Southern Georgina Basin.

Subsequent to the recently awarded exploration permits in March 2012, the Corporation's land position has increased to 14.1 million acres and covers more than half of the Southern Georgina Basin with a net 87% operated working interest.

In early 2012, the Corporation retained Macquarie Capital Markets Canada Ltd. as its exclusive advisor to assist in obtaining a suitable joint venture partner to participate with PetroFrontier in the exploration and development of the extensive unconventional and conventional exploration acreage. Interest from industry has been considerable.

The first phase of the 2012 capital program will focus on the current mobilization of Ensign Rig #918 into the Southern Georgina Basin to complete the horizontal leg at MacIntyre-2 in EP 127. With an expected spud date the week of June 4th, 2012, drilling at MacIntyre-2 is expected to take approximately two weeks. Once MacIntyre-2H is drilled, the Corporation will earn a 75% working interest in EP 127 and will continue on as the operator. The rig will then mobilize approximately 300 km the drill a high angle pilot hole and if the Corporation has sufficient capital, a subsequent horizontal well at the third location, Owen-3 in EP 104 (100% working interest). Expected drilling timeline for Owen-3 is approximately four weeks.

Subsequent to this drilling activity, the second phase of the 2012 capital program will focus on mobilizing a coil tubing unit and service rig to the Southern Georgina Basin by mid-July for the completion, fracturing and flow testing of Baldwin-2Hst1 (EP 103), MacIntyre-2H (EP 127) and Owen-3H (EP 104). These unconventional oil plays require the use of advanced horizontal drilling and completion techniques to be economic and the use of proven North American technologies is expected to give the Corporation every chance of establishing commercial production.

The Corporation is encouraged by the initial results from its first two wells, Baldwin-2Hst1 and MacIntyre-2, which support the Corporation's long-term strategy of continuing to evaluate the extent of the Lower Arthur Creek "Hot Shale" play within its existing land base. It is a particularly positive sign that there are now two wells within 60 km of each other that have shown encouraging hydrocarbon indications in the Lower Arthur Creek "Hot Shale". Definitive results will be confirmed once the Corporation can complete, fracture and flow-test these wells.

Overview of Consolidated Financial Results

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

	Q1 2012 ($)	Q4 2011 ($)	Q3 2011 ($)	Q2 2011 ($)
Net loss(1)	1,656,296	1,687,928	2,041,095	2,906,028
Per common share (basic and diluted)	0.03	0.03	0.03	0.05
Positive/(negative) cash flow from operations	(7,782,447)	1,687,036	(926,003)	(703,870)
Working capital(2)	20,966,289	22,663,020	34,941,213	38,405,486
Total assets	129,466,691	134,498,673	134,200,160	133,538,771
Shareholders' equity	110,268,368	111,384,110	111,778,047	112,903,757

	Q1 2011 ($)	Q4 2010 ($)	Q3 2010 ($)	Q2 2010 ($)
Net loss(1)	1,700,127	4,020,043	396,527	459,221
Per common share (basic and diluted)	0.04	0.16	0.02	0.03
Positive/(negative) cash flow from operations	(1,575,358)	(836,456)	148,077	(266,186)
Working capital(2)	52,933,143	55,001,333	5,260,957	7,488,381
Total assets	65,927,920	67,981,817	10,383,324	9,736,861
Shareholders' equity	64,168,552	65,217,309	9,516,390	9,669,809

(1) The Corporation is in the exploration phase and therefore there is currently no oil and natural gas producing properties from which to generate revenues. The Corporation's net loss for the periods was generated primarily from share-based compensation expense (non-cash) and G&A expenses including salaries, office costs, and travel costs.

(2) The source of the Corporation's working capital is from the private placement financings that closed in December 2010 for gross proceeds of $58,500,000. Prior to December 2010, the source of the Corporation's working capital is from the private placement financing that closed in November 2009 for gross proceeds of $9,175,000.

Cash and cash equivalents

As at March 31, 2012, cash and cash equivalents totaled $18,452,304 as compared to $24,358,559 as at December 31, 2011, respectively. The decrease in cash and cash equivalents relates primarily to general and administrative expenses, exploration and evaluation asset expenditures of $808,930 incurred in the quarter relating primarily to long lead item expenditures associated with the Corporation's upcoming drilling and well completion programs, the payment of a deposit for $3,600,000 (Australian dollars) in order to secure a drilling rig for the 2012 drilling program and the payment of outstanding accounts payable and accrued liabilities outstanding as at December 31, 2011.. The source of the Corporation's funds as at March 31, 2012 and December 31, 2011 was from the private placement financings that closed in December 2010 for gross proceeds of $58,500,000. The following table summarizes the Corporation's cash and cash equivalents:

	March 31, 2012 ($)	December 31, 2011 ($)
Cash at bank and on hand	**18,452,304**	11,774,340
Short-term deposits	**-**	12,584,219
Cash and cash equivalents	**18,452,304**	24,358,559

Term deposits

As at March 31, 2012, term deposits totaled nil as compared to $2,500,000 as at December 31, 2011, respectively. The following table summarizes the Corporation's term deposits:

	March 31, 2012	December 31, 2011
Term Deposits ($)	-	2,500,000
Effective interest rate (%) on term deposits	-	1.45
Average number of days to maturity for term deposits	-	270

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 $16,509 for the three months ended March 31, 2012 on this marketable security.

Financial Instruments

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

Marketable securities are classified as level 1 within the fair value hierarchy and are recorded on the Corporation's statement of financial position at the fair value on the reporting date.

The Corporation uses forward foreign currency exchange rate contracts and options in order to reduce its exposure to currency risks from fluctuations in the Canadian and Australian currencies. These contracts are classified as Level 2 within the fair value hierarchy and are recorded on the Corporation's statement of financial position as an asset or liability based on reporting date fair values. During the three months ended March 31, 2012 the Corporation recorded a gain on financial instruments of $18,078. As at March 31, 2012, the Corporation had a total of 2 forward foreign currency exchange rate option contracts with the following terms:

Contract	AUD bought ($)	CAD sold ($)	Strike Rate (%)	Trigger Rate (%)	Date of Maturity
AUD call	687,500	707,781	1.0295	N/A	June 21, 2012
AUD put	1,375,000	1,415,563	1.0295	0.9855	June 21, 2012
AUD call	1,000,000	1,027,500	1.0275	N/A	July 21, 2012
AUD put	2,000,000	2,055,000	1.0275	0.9785	July 21, 2012

Accounts Receivable

Accounts receivable decreased from $1,400,005 at December 31, 2011 to $460,086 at March 31, 2012. The accounts receivable balance at March 31, 2011 and December 31, 2011 relate primarily to Australian investment tax credits on the Corporation's qualifying expenditures, which are typically received in the subsequent quarter. The following tables summarize the Corporation's accounts receivable:

	March 31, 2012 ($)	December 31, 2011 ($)
Trade receivables	**460,086**	1,400,005
Joint venture receivables	**-**	-
Allowance for doubtful accounts	**-**	-
Accounts receivable	**460,086**	1,400,005

Prepaid Expenses and Deposits

The following tables summarize the Corporation's prepaid expenses and deposits:

	March 31, 2012 ($)	December 31, 2011 ($)
Deposits on capital expenditures	**4,358,628**	629,621
Deposits paid to financial advisor	**60,000**	-
Rent, insurance and other	**65,416**	37,377
Prepaid expenses and deposits	**4,484,044**	666,998

Prepaid expenses and deposits increased from $666,998 at December 31, 2011 to $4,484,044 at March 31, 2012. As at March 31, 2012, the Corporation had a deposit for $3,600,000 (Australian dollars) paid to a third party to secure a drilling rig for the 2012 drilling program. The Corporation also paid $500,000 (Australian dollars) to the Northern Territory government pertaining to various environmental and abandonment deposits. In addition, $100,000 (Australian dollars) was paid as a deposit in conjunction with the Baraka Farmin Agreements that will be returned to the Corporation upon satisfaction of the farm-in commitments. The remainder of the prepaid expenses and deposits balance relates to prepaid insurance and rent.

Exploration and Evaluation Assets

Exploration and evaluation assets at December 31, 2011 totaled $96,454,822 as compared to $97,034,305 at March 31, 2012. Exploration and evaluation asset expenditures incurred during the three months ended March 31, 2012 totaled $808,930 and related primarily to long lead item expenditures associated with the Corporation's upcoming 2012 drilling and well completion programs in the Georgina Basin.

Goodwill

During the year ended December 31, 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.

As part of the Corporation's disposition of all of its Canadian petroleum and natural gas properties discussed above, goodwill was reduced by $768,599, which represented the amount of goodwill allocated to these assets upon acquisition pursuant to the Corporation's plan of arrangement with Texalta Petroleum Ltd. that closed on May 31, 2011.

Goodwill was assessed for impairment as at December 31, 2011. The recoverable amounts used to assess goodwill were determined using fair value less costs to sell. As at December 31, 2011 the fair value less costs to sell exceeded the aggregated carrying value of the goodwill. Accordingly, no impairment was recorded. There were no new indicators of impairment as at March 31, 2012 and as such the goodwill was not assessed for impairment at that time.

The following table summarizes the Corporation's goodwill:

	March 31, 2012 ($)	**December 31, 2011 ($)**
Cost		
Balance, January 1	8,946,231	-
Additions	-	9,773,469
Dispositions	-	(768,599)
Foreign currency translation	(17,592)	(58,639)
Balance, December 31	**8,928,639**	8,946,231
Accumulated impairment losses:		
At January 1	**-**	**-**
Impairment losses recognized in the year	**-**	**-**
Balance, December 31	**-**	**-**
Net book value at December 31	**8,928,639**	8,946,231

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2012 totaled $2,366,920 as compared to $6,256,024 at December 31, 2011. The decrease in accounts payable at the end of the current quarter was due to low activity levels relating to drilling and seismic operations as at March 31, 2012 in comparison to December 31, 2011. The following tables summarize the Corporation's accounts payable and accrued liabilities:

	March 31, 2012 ($)	**December 31, 2011 ($)**
Accrued liabilities	**841,098**	3,566,428
Trade payables	**1,525,822**	2,689,596
	2,366,920	6,256,024

Decommissioning Liabilities

Decommissioning liabilities at December 31, 2011 totaled $596,680 as compared to $601,521 at March 31, 2012. As at March 31, 2012 and December 31, 2011, $96,000 of the amount recorded as decommissioning liabilities was classified as current as the Corporation expects to incur these expenditures in the following year. The increase in decommissioning liabilities at the end of the current quarter was due to accretion expense of $6,070. The Corporation used discount rates ranging from 4.7% - 5.2% to account for its decommissioning liabilities.

Deferred Tax Liability

As at March 31, 2012, the Corporation has recorded a deferred tax liability of $16,229,882 as part of the acquisition of Texalta.

General and Administrative Expense

General and administrative ("G&A") expense for the three months ended March 31, 2012 totaled $978,190 as compared to $748,644 for the three months ended March 31, 2011. 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 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 for the entire quarter.

Foreign Exchange Gain

The Corporation recorded a foreign exchange gain of $122,469 for the three months ended March 31, 2012. The gain pertains almost entirely to Australian dollar cash that was held by the parent Corporation throughout the quarter.

Share-Based Compensation

Share-based compensation expense for the three months ended March 31, 2012 totaled $874,828 as compared to $775,571 for the three months ended March 31, 2011. The increase in share-based compensation expense pertains to the fact that 5,718,333 stock options were outstanding at March 31, 2012 as compared to 4,240,000 at March 31, 2011. In addition, 500,000 options were granted during the three months ended March 31, 2012.

Depreciation

Depreciation expense for the three months ended March 31, 2012 totaled $12,674 as compared to $126 for the three months ended March 31, 2012. Overall, depreciation expense for the three months ended March 31, 2012 and 2011 were as expected by management and the majority of the increase relates to depreciation of field vehicles and additional office equipment acquired during 2011 and the first quarter of 2012.

Finance income

Finance income for the three months ended March 31, 2012 totaled $92,488 as compared to $121,888 for the three months ended March 31, 2011. Overall, the finance income for the three months ended March 31, 2012 and 2011 were as expected by management given the levels of cash on hand during the respective quarters.

Finance costs

Finance costs for the three months ended March 31, 2012 totaled $7,130 as compared to $1,829 for the three months ended March 31, 2011. Overall, the finance costs for the comparable years were as expected by management given the levels of banking activity. Also included in the current quarter total is accretion expense of $6,070, relating to the Corporation's drilling and seismic operations in Australia resulting in future reclamation costs required to be included on the balance sheet as future decommissioning liabilities.

Net Loss

The Corporation recorded a net loss for the three months ended March 31, 2012 of $1,656,296 as compared to a net loss of $1,700,127 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. The Corporation's net loss for the period was generated primarily from share-based compensation expense (non-cash) and G&A expenses including salaries, office costs, and travel costs. The net loss per share (basic and diluted) for the three months ended March 31, 2012 was $0.03 per share as compared to $0.04 per share for the same period in the prior year.

Comprehensive Loss

The Corporation recorded a comprehensive loss for the three months ended March 31, 2012 of $1,990,570 as compared to $1,851,328 for the three months ended March 31, 2011. 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 three months ended March 31, 2012, the Australian dollar relative to the Canadian dollar weakened slightly from CAD $1.037 at December 31, 2011 to CAD $1.035 at March 31, 2012 resulting in a loss on the conversion of the Corporation's Australian assets net of a gain incurred on the conversion of the Corporation's Australian liabilities. Similarly, for the three months ended March 31, 2011, the Australian dollar relative to the Canadian dollar weakened slightly from CAD $1.016 at December 31, 2010 to CAD $1.002 at March 31, 2011 resulting in a loss on the conversion of the Corporation's Australian assets net of the gain incurred on the conversion of the Corporation's Australian liabilities.

Common share information

Weighted average outstanding common shares

	Three months ended March 31, 2012	Three months ended March 31, 2011
Basic and diluted[(1)]	**63,998,153**	47,746,301

(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 March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012	December 31, 2011
Common shares	63,998,153	63,998,153
Warrants	675,000	675,000
Pendulum agent's options	2,500	2,500
Options	5,718,333	5,396,668
Total common shares (diluted)	**70,393,986**	70,072,321

As at March 31, 2012, the Corporation had $18,452,304 in cash and cash equivalents. The source of the Corporation's net working capital of $20,966,289 is a result of the private placement funds received in December 2010. The Corporation's exploration and evaluation expenditures for the three months ended March 31, 2012 of $808,930 related primarily to long lead item expenditures associated with the Corporation's upcoming 2012 drilling and well completion programs 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 12 months.

The Corporation has 5,718,333 stock options, 2,500 Pendulum agent's options and 675,000 warrants issued and outstanding as at March 31, 2012 at strike prices ranging from $0.25 to $3.60 and could potentially yield $13,010,314 of total proceeds. If all of these instruments are exercised it would result in an additional 6,395,833 common shares being issued, which represents dilution of 10.0% in comparison to the shares issued and outstanding as at March 31, 2012.

Material Contracts, Commitments and Contingencies

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 as at March 31, 2012
Year 4	May 21, 2011	May 20, 2012	Drill one exploration well	Completed
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 as at March 31, 2012
Year 4	May 21, 2011	September 20, 2012	Drill one exploration well	Outstanding
Year 5	May 21, 2012	May 20, 2013	Drill one exploration well	Outstanding

Baraka Farmin Agreements

On April 1, 2010, the Corporation entered into two farmin agreements (the "Baraka Farmin Agreements") with Baraka Energy and Resources Limited (previously known as Baraka Petroleum Limited) ("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 in the Northern Territory, Australia. 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, 2011, 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, Australia, the Corporation has the following minimum work commitments and timelines:

Year	Start	End	Minimum work requirements	Status as at March 31, 2012
Year 4	December 14, 2011	December 13, 2012	Acquire seismic data	Outstanding
Year 5	December 14, 2012	December 13, 2013	Drill one well to 600m Contingent on Year 4 drilling, drill two wells to 600m or one well to 1,200m	Outstanding

EP 128 Minimum Work Plan Commitments

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

Year	Start	End	Minimum work requirements	Status as at March 31, 2012
Year 3	June 14, 2010	December 13, 2012	Acquire seismic data	Outstanding
Year 4	December 14, 2011	December 13, 2012	Acquire seismic data Contingent on seismic results, drill one well to 600m or one well to 1,200m	Outstanding
Year 5	December 14, 2012	December 13, 2013	Drill one well to 600m Contingent on Year 4 drilling, drill two wells to 600m or one well to 1,200m	Outstanding

As at December 31, 2011, the Corporation had the following material contracts and commitments:

	Total ($)	2012 ($)	2013 ($)	2014 ($)	2015 ($)	2016 ($)
EP 103 minimum commitments	**517,720**	-	517,720	-	-	-
EP 104 minimum commitments	**1,035,440**	517,720	517,720	-	-	-
EP 127 minimum commitments	**3,437,661**	2,816,397	621,264	-	-	-
EP 128 minimum commitments	**1,501,388**	880,124	621,264	-	-	-
Leases	**235,563**	111,569	102,509	21,485	-	-
	6,727,772	**4,325,810**	**2,380,477**	**21,485**	**-**	**-**

During the three months ended March 31, 2012, the Corporation expensed $50,789 relating to operating leases it maintained throughout the year.

During the three months ended March, 31, 2012, the Corporation entered into a drilling contract with a third party to drill two wells in 2012.

As at March 31, 2012, through the normal course of business the Corporation had an outstanding dispute with a third party service provider that in aggregate totaled $1,274,799. In management's opinion these charges are unsubstantiated and therefore have not been accrued.

Segmented Information

The Corporation has a foreign subsidiary and the following geographical segmented information is provided:

	Three months ended March 31, 2012		Three months ended March 31, 2011	
	Canada ($)	Australia ($)	Canada ($)	Australia ($)
EXPENSES				
General and administrative	**406,720**	**571,470**	304,416	444,228
Loss on marketable securities	**16,509**	**-**	-	-
Foreign exchange gain	**(122,469)**	**-**	-	-
Financial derivative instruments (note 11)	**(18,078)**	**-**	-	-
Share-based compensation (note 9)	**874,828**	**-**	775,571	-
Depreciation	**117**	**12,557**	126	-
Corporate acquisition costs	**-**	**-**	295,845	-
Results from operating activities	**1,157,627**	**584,027**	1,375,958	444,228
Finance income	**46,520**	**45,968**	99,971	21,917
Finance costs	**(466)**	**(6,664)**	(638)	(1,191)
Net finance income	**46,054**	**39,304**	99,333	20,726
NET LOSS	**(1,111,573)**	**(544,723)**	(1,276,625)	(423,502)
Exploration and evaluation assets (end of period)	**-**	**97,034,305**	-	11,233,485
Exploration and evaluation expenditures	**-**	**808,930**	-	1,161,209
Total assets (end of period)	**17,733,641**	**111,733,050**	50,465,545	15,462,375

Off Balance Sheet Arrangements

The Corporation had no guarantees or off-balance sheet arrangements except for certain lease agreements that were entered into in the normal course of operations. All leases are treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on the balance sheet as at March 31, 2012. The total future obligation from these operating leases is described above in the section "Material Contracts, Commitments and Contingencies".

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 and vice versa on a cost recovery basis. ASA charges are recorded to general and administrative expenses in the Corporation's consolidated interim financial statements. For the three months ended March 31, 2012, Rodinia was charged $161,439 of ASA expense. As at March 31, 2012, $232,177 was outstanding from 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 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.

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 consolidated 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 months ended March 31, 2012 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, changes to regulatory requirements, 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 due to weather or environmental conditions, land owner access issues and 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 Used in Operations

The cash flow used in operations before changes in non-cash working capital of the Corporation for the period ended March 31, 2012 was $797,446. 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 are held in the form of permits, licenses, applications, authorities and working interests in permits, licenses, applications and authorities. If the Corporation or the holder of the permits, licenses, applications and authorities fails to meet the specific requirement of the permits, licenses, applications or authorities, the permits, licenses, applications or authorities may terminate or expire. There can be no assurance that the obligations required to maintain each of the permits, licenses, applications and authorities will be met. The termination or expiration of the Corporation's permits, licenses, applications and authorities or the working interests relating to the permits, licenses, 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. However, in these circumstances the Corporation would be able to elect to not participate in such programs, but in doing so would be subject to certain penalty criteria. 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 has filed 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 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.