PetroFrontier

Management's Discussion & Analysis

September 30, 2016

PetroFrontier Corp. (the "Corporation") is a public company, which is engaged in the business of exploring and developing petroleum and natural gas properties in western Canada. The Corporation was previously engaged in the business of evaluating petroleum and natural gas properties in Northern Territory, Australia. The Corporation 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 Corporation's financial statements and the related notes for the nine and three months ended September 30, 2016 and the year ended December 31, 2015. The financial statements have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which are also generally accepted accounting principles ("GAAP") for publically accountable enterprises in Canada.

The Corporation's Board of Directors has reviewed and approved the consolidated financial statements and MD&A, both of which are effective November 22, 2016.

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.

Non-IFRS Measures

The financial data presented herein has been prepared in accordance with IFRS. The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A discussion. The measures are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. Most notably, these measures include "operating netback" and "funds flow from (used in) operations". Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales and is calculated by deducting royalties and operating expenses from revenues. Funds flow from (used in) operations is cash flow from operating activities before changes in non-cash working capital, and is used to analyze operations, performance and liquidity. These measures are not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measures. These measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of another entity. When these measures are used, they are defined as "non IFRS" and should be given careful consideration by the reader.

Note Regarding Boe and Mcf

In this MD&A, barrels of oil equivalent ("boe") is derived by converting gas to oil in the ratio of six thousand cubic feet ("Mcf") of gas to one barrel ("bbl") of oil (6 Mcf: 1 bbl) and one thousand cubic feet of gas equivalent ("Mcf") are derived by converting oil to gas in the ratio of one bbl of oil to six Mcf (1 bbl: 6 Mcf). Boe and Mcf may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf of natural gas to 1 bbl of oil, or a Mcf conversion ratio of 1 bbl of oil to 6 Mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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 had previously been engaged in the business of 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" 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".

On July 21, 2016, the Corporation closed the purchase of certain resource assets (the "**Assets**") located in the Cold Lake area of northeastern Alberta from Kasten Energy Inc. ("**Kasten**").

Overview of Consolidated Financial Results

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

	Three months ended and as at September 30		Nine months ended and as at September 30	
	2016	**2015**	**2016**	**2015**
Net loss	1,080,991	160,250	1,932,598	637,324
Net comprehensive loss	1,073,079	153,952	1,932,598	460,814
Per common share (basic and diluted)	0.01	0.00	0.01	0.01
Working capital	4,031,519	9,781,338	4,031,519	9,781,338
Total assets	19,925,936	9,876,241	19,925,936	9,876,241
Total long-term liabilities	5,575,480	-	5,575,480	-
Shareholders' equity	13,160,189	9,781,338	13,160,189	9,781,338

The Corporation acquired oil and natural gas properties on July 21, 2016. Prior to this time in 2016 and in 2015, the Corporation was evaluating oil and natural gas opportunities and therefore there are no oil and natural gas producing properties from which to generate revenues. The Corporation's net loss for 2016 is discussed further in the section "Discussion of Operations". The Corporation's net loss for 2015 was generated primarily from general and administrative expenses, including salaries, office costs and travel costs.

Outlook

The Corporation is prepared for continued volatility in the price of crude oil and tight capital markets for junior oil and gas companies throughout 2017. Consequently, management remains committed to cost control and limiting capital spending to operations with the potential to meaningfully add to the Corporation's proven and probable reserves base of approximately 6 million bbls valued at $87.8 million (as set out in the reserves report effective December 31, 2015 filed on SEDAR – NPV 10% 2P). In this regard, subject to market conditions as well as regulatory approvals and access, we anticipate drilling two (2) to three (3) wells and conducting a limited completion/recompletion program at Cold Lake in Q4 2016. Management will look to maintain its current production of approximately 300 bopd and increase production using cashflow and existing working capital. We will also preserve a significant portion of the Corporation's capital to help manage continued market volatility and allow for the flexibility to increase activity and production in a more favourable price environment.

Acquisition

The deemed acquisition price for the Kasten Assets was $17,490,000 payable as follows:

(a) by the issuance of 70,000,000 common shares of PetroFrontier at a deemed value of $0.157 per share;

(b) by the payment of $3,500,000 in cash at closing, net of the secured loan in the amount of $525,000 which was advanced to Kasten on June 28, 2016; and

(c) by the issuance by PetroFrontier of a secured convertible debenture in the face amount of $3,000,000 in favor of Kasten; and

(d) by an adjustment for certain working capital items and operations for period from the effective date of June 1, 2016 to the closing date of July 21, 2016.

For accounting purposes, the deemed value was recorded at fair value as follows:

Consideration		**Deemed Value**		**Fair value**
Cash	$	3,500,000	$	3,500,000
Purchase price consideration payable		-		345,748
Issuance of debenture		3,000,000		2,610,000
Issuance of 70,000,000 common shares		10,990,000		5,250,000
	$	17,490,000	$	11,705,748

Purchase price allocation;		
Prepaid expenses	$	181,999
Petroleum and natural gas assets		14,431,902
Decommissioning liabilities		(2,908,153)
	$	11,705,748

The acquisition provides the opportunity to develop, in partnership with the wholly owned energy company of the Cold Lake First Nations ("CLFN"), CLFN Lands which management believes is one of the few remaining, large contiguous heavy oil blocks in the Western Canadian Sedimentary Basin.

Cold Lake property

The Kasten Assets were acquired as discussed under the section *Acquisition*. As a result of the acquisition, the Corporation currently has interests in approximately 18 gross (16.5 net) sections arising under a partnership with the wholly-owned energy companies of the Cold Lake First Nations.

To date, eleven (11) wells have been drilled under the partnership establishing multi-zone productivity and substantial reserves. Given current market conditions, we are planning, subject to requisite approvals and access, to drill two (2) to three (3) wells and conduct a limited completions/recompletions program in Q4 2016 for the dedicated purpose of increasing our already substantial reserves base.

Discussion of Operations

Revenue

The petroleum revenue of $558,142 recorded for the three months ended September 30, 2016 was earned from the wells acquired in the Kasten acquisition on July 21, 2016. The corporation had six producing wells in August 2016 and eight producing wells in September 2016. Since the date of acquisition, the Corporation has been equipping, completing and performing workover activities on several wells in order to maintain and increase production.

Royalties

Royalty expense was $52,275 for the three months ended September 30, 2016 and approximates 10% of petroleum revenue.

Production operating costs

Production operating costs were $471,001 for the third quarter of 2016. A notable expense in the quarter was the payment of surface lease rentals of $129,416, which represent a significant portion of our annual surface lease rental obligations.

General and administrative expense

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

	Three months ended September 30		Nine months ended September 30	
	2016 ($)	**2015 ($)**	**2016 ($)**	**2015 ($)**
Salaries and benefits	188,471	115,430	336,660	381,413
Severance costs	-	-	465,000	-
Office costs	73,418	24,246	135,132	129,002
Professional fees	461,465	18,100	605,726	141,653
Corporate and regulatory	6,047	5,033	68,679	33,106
	729,401	**162,809**	**1,611,197**	**685,164**

Included in the general and administrative expenses to September 30, 2016 is approximately $977,000 representing the severance costs of $465,000 and the transaction costs of $512,000. These costs were incurred in transitioning to the Canadian oil and gas operations.

The severance costs of $465,000 were paid to former officers of the Corporation.

Professional fees of $461,465 in the third quarter of 2016 includes $421,394 related to the acquisition of the Kasten Assets.

Corporate and regulatory expense has increased by $35,573 for the nine months ended September 30, 2016 as compared to the comparable period in 2015. This increase relates primarily to the fees charged by the regulators regarding the acquisition of the Kasten Assets.

Depletion and depreciation

Depletion and depreciation was $84,566 for the three and nine months ended September 30, 2016. Depletion relates to the resource assets acquired in the Kasten acquisition and is based on the unit-of-production method.

Accretion

Accretion was $49,844 for the three and nine months ended September 30, 2016. Accretion relates to the decommissioning liabilities and reflects the increase in the liability due to the passage of time.

Share-based compensation

Share-based compensation was $224,863 for the three and nine months ended September 30, 2016. The expense is based on the stock options issued in the third quarter of 2016.

Finance income and expense

Finance income for the nine months ended September 30, 2016 totaled $42,966 and as compared to $76,299 in the comparable period in 2015. The decrease in finance income reflects primarily lower interest rates and lower cash balances.

Finance expense of $38,045 was incurred in the third quarter of 2016 and relates to the debenture.

Operating netback

The following table details the Corporation's net operating netback for the three months ended September 30, 2016:

		Per boe
Production (boe)	16,706	
Average daily production (boe)	274	
Petroleum revenue	$558,142	$33.41
Royalties	$52,275	$3.13
Production operating costs before annual lease rentals	$341,585	$20.45
Net operational netback	$34,866	$9.83

The petroleum revenue for the heavy oil produced at Cold Lake is based on the WCS Benchmark price. Details of third quarter 2016 pricing is as follows:

WTI – US$44.94/bbl
WCS Benchmark –US$31.44/bbl
WCS Dollar Differential –US$13.50/bbl
WCS % Differential – 30%

As with most energy companies today, an increase in crude oil prices will have a significant impact on bottom line operating results. As outlined above under the *Outlook* section, management is prepared to increase activity with a view to increasing production in a more favourable price environment which we believe will improve our netback given the effect of spreading fixed operating costs over a larger production base.

Cash

As at September 30, 2016, the Corporation had cash of $4,477,361 as compared to $9,595,006 as at December 31, 2015. The decrease in cash of $5,117,645 relates primarily to the payments for the Kasten Assets of $3,500,000 and general and administrative costs of $1,273,235.

Trade and other receivables

Trade and other receivables increased from $48,627 at December 31, 2015 to $574,215 at September 30, 2016. The balance at September 30, 2016 is comprised primarily of amounts owing from oil and gas operations which have subsequently been collected.

Prepaid Expenses and Deposits

Prepaid expenses and deposits increased from $37,800 at December 31, 2015 to $170,201 at September 30, 2016. The increase relates to prepaid insurance and mineral leases.

Trade and others payables

Trade and other payables at September 30, 2016 totaled $844,519 as compared to $63,509 at December 31, 2015. The increase of $781,010 relates to oil and gas operating activities in the third quarter and amounts owing of $264,029 for capital expenditures.

Debenture

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

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

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

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

Decommissioning liabilities

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

Decommissioning Liabilities		**2016**
Balance, beginning of year	**$**	**-**
Liabilities acquired		**2,908,153**
Revisions to previously recorded liabilities		**(15,563)**
Accretion		**49,844**
Balance, end of period	**$**	**2,942,434**

Net Loss

The Corporation recorded a net loss for the nine months ended September 30, 2016 of $1,932,598 as compared to a net loss of $637,324 for the comparable period in 2015. During the first six months of 2016, the Corporation had no oil and natural gas producing properties from which to generate revenues. The Corporation's net loss for both periods was generated primarily from G&A expenses including salaries, office costs, and travel costs. The net loss for 2016 was higher than 2015 loss primarily due to severance costs of $465,000 and costs incurred to acquire the Kasten Assets.

Comprehensive Loss

The Corporation recorded a comprehensive loss for the nine months ended September 30, 2016 of $1,932,598 as compared to a $460,814 for the comparable period in 2015. 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. In 2016, the Corporation's only significant asset in Australia is cash of AUD$178,611. At September 30, 2016, the Australian dollar was at par relative to the Canadian dollar.

Common share information

Issued – common shares

	Nine Months Ended September 30, 2016		**Year Ended December 31, 2015**	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of year	79,600,768	125,952,046	79,600,768	125,952,046
Issuance on acquisition of business	70,000,000	5,250,000	-	-
Balance, end of period	**149,600,768**	**131,202,046**	**79,600,768**	**125,952,046**

Stock options

Officers and directors of the Corporation have been granted options to purchase common shares. Options granted have a term of five years to expiry and typically vest equally over a two-year period on the basis of 40% on the date of grant, 30% on the first anniversary date of the grant, and 30% on the second anniversary date of the grant. The exercise price of each option equals the market price or greater of the Corporation's common shares on the date of grant.

The following table summarizes the changes to the Corporation's option plan for the nine months ended September 30, 2016:

	Number of options	Weighted average price ($)
Balance, December 31, 2015	**3,310,000**	**0.72**
Expired	(160,000)	3.05
Forfeited	(2,050,000)	0.83
Issued	12,800,000	0.16
Balance, September 30, 2016	**13,900,000**	**0.16**

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 2016.

	Options outstanding			Options exercisable	
Exercise price ($)	**Number outstanding at period end**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable at period end**	**Weighted average exercise price**
$0.18	1,100,000	2.3	$0.18	1,100,000	$0.18
$0.16	12,800,000	4.75	$0.16	5,120,000	$0.16

The Corporation accounts for its share-based compensation using the fair value method for all stock options. On July 21, 2016, the Company issued 12,800,000 stock options to officers and directors with a fair value of $473,397 (2015 - $nil). The fair value of the stock options issued in the year has been estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions:

Dividend yield	**-**
Expected volatility	**80%**
Risk-free interest rate	**1.2%**
Expected life	**5 years**
Forfeiture	**nil**

Per common share amounts

The basic weighted average number of common shares outstanding for the nine and three months ended September 30, 2016 are as follows:

	Three months	Nine months
	ended September 30, 2016	
Issued common shares, beginning of period	**79,600,768**	**79,600,768**
Weighted average number of shares issued	54,021,739	18,138,686
Weighted average number of common shares, end of period – basic & diluted	**133,622,507**	**97,739,454**

The issued and basic weighted average number of common shares outstanding for the nine and three months ended September 30, 2015 was 79,600,768.

As the Corporation has recorded a loss for the nine and three months ended September 30, 2016 and 2015, no addition is made to the basic weighted average number of common shares when calculating diluted weighted average number of common shares as the diluted per common share amounts are anti-dilutive. For the nine and three months ended September 30, 2016 and 2015 no options were in-the-money.

Liquidity and capital resources

The diluted number of common shares outstanding at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
Common shares	149,600,768	79,600,768
Options	12,800,000	3,310,000
Total common shares (diluted)	**162,400,768**	**84,910,768**

As at the date of this MD&A, there are 149,700,768 Common Shares outstanding.

As at September 30, 2016, the Corporation had $4,477,361 (December 31, 2015 - $9,595,006) in cash.

With working capital on hand of $4,031,549 at September 30, 2016, the Corporation expects to have adequate funding to provide for general operations and to meet all the Corporation's future commitments for a period of at least 12 months.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, trade and other receivables, trade and other payables and the debenture. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

Summary of Quarterly Results (unaudited)

Quarter	**2016**			**2015**				**2014**
Ended ($)	Sept. 30	June 30	Mar. 31	Dec 31	Sept. 30	June 30	Mar. 31	Dec. 31
Revenue	558,142	-	-	-	-	-	-	-
Net loss	1,080,991	161,633	689,974	181,943	160,250	238,852	238,222	38,835
Net loss per share	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Material Contracts, Commitments and Contingencies

Australian Acreage

As of December 31, 2015, the Corporation had satisfied all minimum work requirements associated with its acreage in Australia and all of the Corporation's permits have been or are in the process of being relinquished to the government of Northern Territory, Australia.

Office lease

As at September 30, 2016, the Corporation had the following office lease commitments:

	($)
2016	36,696
2017	77,726
2018	71,448
2019	17,862
Office lease commitments	203,732

Litigation

During the year ended December 31, 2014, Macquarie Capital Markets Canada Ltd. filed a Statement of Defence and Counterclaim against the Corporation in response to a Statement of Claim filed by the Corporation against Macquarie in the Court of Queen's Bench of Alberta on July 7, 2014. The Corporation has not recorded a contingent liability associated with the Counterclaim as the Corporation is of the opinion the Counterclaim is without merit. The Corporation will vigorously proceed with its lawsuit against Macquarie and its defence of the Counterclaim.

Related parties

During the nine months ended September 30, 2016, the Corporation had the following related party transactions:

- severance costs of $465,000 were paid to former officers.

- the Corporation advanced $525,000 to the Vendor of the Assets which has been paid. A director of the Corporation is also an officer of Kasten.

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 September 30, 2016 and December 31, 2015. The total future obligation from these operating leases is described above in the section "Material Contracts, Commitments and Contingencies".

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 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. Management seeks to reduce such risks by employing professionals and utilizing consultants and contractors to conduct the business of the Corporation in strict compliance with corporate governance, operating, safety, health and environmental requirements and best practices. Further, in this regard, management also places great emphasis on fostering and maintaining a strong working relationship with its partners, the Cold Lake First Nations ("CLFN") and its wholly owned energy company, with respect to the on-going development of CLFN lands.

Limited Operating and Earnings History

The Corporation has no earnings history. The Corporation's future business plans may require significant expenditure, particularly capital expenditure, in the establishment of Canadian oil and gas operations. Any future profitability from the Corporation's business will be dependent upon the successful acquisition of new lands, and there can be no assurance that the Corporation will achieve profitability in the future.

Investment Risks

The timing and extent of revenues 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.

History of Losses

The Corporation has historically incurred losses from operations. As at September 30, 2016, the Corporation had a cumulative deficit of $124,047,642. There can be no assurance that the Corporation will achieve profitability in the future. In addition, should the Corporation be unable to continue as a going concern, realization of assets and settlement of liabilities other than in the normal course of business may be at amounts significantly different from those in the financial statements.

Cash Flow Used In Operations

The cash flow used in operations of the Corporation for the nine months ended September 30, 2016 and 2015 were $1,537,264 and $653,967. 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. The Corporation's ability to add reserves in the future will depend not only on its ability to explore and develop 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.

Operational Dependence

In the future, the Corporation may enter into operations in which it is not the operator or which may be dependent or effected by the activities or conduct of third parties. As such, the Corporation may have limited ability to exercise influence or control 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 such operations will depend upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, an operator's or other third party'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 effect 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, 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.

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. 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. The Corporation believes it is adequately insured for normal risks.

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

The Corporation may require additional financing from time to time in order to carry out 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.

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.

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. 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

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 *Income Tax Act* (Canada) 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.

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 Board has delegated the approval of the condensed consolidated interim financial statements and MD&A to 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 material 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 900, 903 – 8th Ave. S.W. Calgary, Alberta, Canada T2P 0P7.

Directors	*Officers*	*Corporate Head Office*
Robert J. Iverach Chairman of the Board of Directors Calgary, Alberta Al Kroontje Businessman Calgary, Alberta Michael Hibberd Businessman Calgary, Alberta Paul Cheung Businessman Calgary, Alberta Kelly Kimbley President Calgary, Alberta	Robert J. Iverach Chief Executive Officer Kelly Kimbley President Robert L. Gillies Vice-President Finance, Secretary and Chief Financial Officer Ulrich Wirth Vice-President Exploration Omar El-Hajjar Vice-President Operations David Orr Vice-President Business Development	900, 903 – 8 Avenue S.W. Calgary, Alberta T2R 0P7 ***Trustee and Transfer Agent*** Computershare Trust Company ***Solicitors*** Burstall Winger Zammit LLP ***Auditors*** PricewaterhouseCoopers LLP