PetroFrontier

Management's Discussion & Analysis

December 31, 2017

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 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 consolidated financial statements, and of the Corporation's financial condition and future prospects. The MD&A complements and supplements the consolidated financial statements of the Corporation and should be read in conjunction with the Corporation's consolidated financial statements and the related notes for the years ended December 31, 2017 and 2016. 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 publicly 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 April 26, 2018.

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 Corporation 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, is "operating netback". 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. This measure is not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measures. This measure and its underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of another entity. When this measure is used, it is defined as "non IFRS" and should be given careful consideration by the reader.

Corporate Overview

The Corporation is engaged in exploring for and the production of petroleum and natural gas in western Canada. On July 21, 2016, the Corporation closed the purchase of certain resource assets (the **"Kasten Assets**") located in the Cold Lake area of northeastern Alberta from Kasten Energy Inc. ("**Kasten**").

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)"). The subsidiaries are now inactive. When used herein, the term "Corporation" includes PetroFrontier (Australia) on a consolidated basis.

The Corporation operates from its offices located at 900, 903 8th Ave. SW, Calgary, Alberta, T2P 0P7.

The common shares of the Corporation trade on the TSX Venture Exchange under the trading symbol "PFC".

Overview of Consolidated Financial Results

The following selected financial data is derived from the audited consolidated financial statements of the Corporation and reference should be made to such financial statements for the years ended and as at December 31:

		2017	**2016**		**2015**
Net loss	$	1,761,506	707,769	$	819,267
Net comprehensive loss		1,761,506	709,685		628,665
Per common share (basic and diluted)		0.01	0.01		0.01
Working capital (deficiency)		(3,814,066)	2,131,682		9,617,924
Total assets		21,692,634	22,695,432		9,681,433
Total long-term liabilities		3,549,422	5,832,030		-
Shareholders' equity	$	13,218,706	14,826,359	$	9,617,924

The Corporation acquired the Kasten Assets on July 21, 2016. Prior thereto, the Corporation was evaluating oil and natural gas opportunities and therefore there were no oil and natural gas producing properties from which to generate revenues. The Corporation's net loss for 2017 is discussed further in the section *"Discussion of Operations"* and the working capital deficiency is discussed under *"Liquidity and Capital Resources"*. 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 continues to conduct business in a very challenging commodity and capital markets environment for junior oil and gas companies. Management's focus continues to be on cost control as well as limiting capital spending to maintain production and cashflow from operations in the face of the on-going volatility. In this regard, the Corporation has successfully reduced its production operating costs per barrel ("bbl") by 11% in 2017 compared to the previous year and continues to reduce general and administrative expenses. In addition to these efforts and to address the on-going challenges mentioned above, the Corporation has negotiated a credit facility not exceeding $1,500,000 (see *"Subsequent Events"*).

Cold Lake property

The Corporation currently has interests in approximately 18 gross (16.5 net) sections arising under several joint operations with the wholly-owned energy companies of the Cold Lake First Nations ("CLFN").

As at December 31, 2017, fourteen (14) wells have been drilled under the joint ventures establishing multi-zone productivity and substantial reserves. Two horizontal wells and one slant well were drilled in 2017 to establish additional reserves with respect to the Corporation's already substantial reserves base and to increase daily production. These three wells continue to perform within the range of expectation as they clean-up and evidence good fluid production and sand-cuts indicative of early-stage propagation of the worm-holes vital to sustained long-term oil deliverability.

Discussion of Operations

Revenue

The petroleum revenue for 2017 was $5,368,064 (2016 - $1,261,385) an increase of $4,106,679 with production averaging 373 bbls/d (2016 – 247 bbls/d)). The increase in revenue is attributable to 12 months production in 2017 while 2016 had approximately 5.5 months production from the date the Kasten Assets were acquired in July 2106. In addition, three new wells were drilled and put on production in the first quarter of 2017

The Corporation realized an average price of $39.38 per bbl for 2017 (2016 - $33.38) while the WCS benchmark price for heavy oil averaged C$50.53 for the same period. The Corporation's realized price is lower than the WCS benchmark price as the Corporation sells lower gravity oil than used in setting the WCS benchmark price.

Royalties

Royalty expense was $431,649 in 2017 and averaged 8% of net petroleum revenue which is comparable to 2016 where royalties were 9% of petroleum revenue. The slight decrease in the royalty rate reflects the royalty incentive on the three wells drilled in 2017.

Production operating costs

Production operating costs decreased 11% in 2017 compared to the previous year from $25.03 to $22.35 per bbl. Total production operating costs were $3,254,505 for 2017 compared to $1,116,575 in 2016 with the increase due to 12 months of operations in 2017 as compared to 5.5 months in 2016.

Average production for 2017 was 373 barrels per day ("bbls/d) compared to 247 bbls/d per day in 2016 which impacts the decreased production costs per bbl as the fixed operating costs are spread over a larger production base. The prominent production costs continue to be for sand handling, utilities and transportation.

General and administrative expense

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

	Three months ended December 31		Year ended December 31	
	2017 ($)	**2016 ($)**	**2017 ($)**	**2016 ($)**
Salaries and benefits	312,506	338,129	1,045,538	676,044
Severance costs	-	-	-	465,000
Office costs	151,402	167,935	397,589	340,862
Professional fees	(24,618)	109,795	258,943	686,198
Corporate and regulatory	(8,705)	(1,628)	14,094	60,580
	430,585	**617,487**	**1,716,164**	**2,228,684**

The salaries and benefits for 2017 amounted to $1,045,538 an increase of $369,494 over 2016. The 2017 salaries and benefits include twelve months of wages related to the personnel hired at the time that the Kasten Assets were acquired in July 2016.

There were no severance costs in 2017.

Professional fees in 2017 were $258,943 compared to $686,198 in 2016 representing a decrease of $427,255. The 2016 professional fees include the costs of acquiring the Kasten Assets which were approximately $512,000.

Corporate and regulatory costs decreased from 2016 to 2017 by $46,486. The 2016 expense included the cost related to the acquisition of the Kasten Assets.

Depletion and depreciation

Depletion and depreciation was $912,991 for the 2017. Depletion relates to the resource assets and is based on the unit-of-production method based on proven and probable reserves. The depletion expense per bbl in 2017 was $6.69 as compared to $5.83 in 2016 reflecting a slightly increased depletion base in 2017.

Accretion on decommissioning liabilities

Accretion expense was $239,953 for 2017 (2016 - $120,781) and reflects the increase in the liability due to the passage of time.

Share-based compensation

Share-based compensation was $153,853 for 2017 (2016 - $278,120) and is based on the vesting of stock options issued in the third quarter of 2016.

Finance income and expense

Finance income for 2017 totaled $6,338 as compared to $45,760 in 2016. The decrease in interest income results from lower cash balances as cash was used to drill the 3 wells in the first quarter of 2017 and to acquire the Kasten Assets in 2016.

Finance expense was $426,793 for 2017 as compared to $93,399 for 2016. Finance expense in 2017 includes debenture interest paid or payable of $90,000 and accretion of $336,793. As a result of the debenture being reclassified to current liabilities, the accretion portion of finance expense was increased by $209,996 that otherwise would have been recorded in future years if the debenture had not been reclassified to current liabilities.

Operating Netback

The following table details the Corporation's operating netback for the three months and year ended December 31, 2017:

	Three months ended December 31, 2017	Per bbl	Year ended December 31, 2017	Per bbl
Production (bbls)	28,334		136,307	
Average daily production (bbls)	308		373	
Petroleum and natural gas revenue	$ 1,125,571	$ 39.72	$ 5,368,064	$ 39.38
Royalties	$ 83,813	$ 2.96	$ 431,649	$ 3.17
Production operating costs	$ 665,665(2)	$ 23.49	$ 3,046,426(1)	$ 22.35
Operational netback	$ 376,093	$ 13.27	$ 1,889,989	$ 13.87

(1) excludes annual lease rentals of $208,079 related to non-producing lands
(2) excludes annual lease rentals of $76,873 related to non-producing lands

	Three months ended December 31, 2016	Per bbl	Year ended December 31, 2016	Per bbl
Production (bbls)	21,086		37,791	
Average daily production (bbls)	229		247	
Petroleum and natural gas revenue	$ 703,243	$33.35	$ 1,261,385	$ 33.38
Royalties	$ 58,934	$2.80	$ 111,209	$ 2.94
Production operating costs	$ 552,411(4)	$26.19	$ 945,776(3)	$ 25.03
Operational netback	$ 91,898	$4.36	$ 204,400	$ 5.41

(3) excludes annual lease rentals of $170,799 related to non-producing lands
(4) excludes annual lease rentals of $93,163 related to non-producing lands

The Corporation's operating netback continues to increase which has primarily resulted from a decrease in the production operating costs per bbl. Production operating costs in 2017 reflect the sand handling costs associated with new wells during the clean-up phase and increased costs associated with additional road and lease site maintenance resulting from the extreme wet weather in the Cold Lake area during the second quarter. Sand handling costs make up a major portion of the production operating costs of CHOPS wells. Initial production from CHOPS wells in the Cold Lake area may contain 50% or more sand during the clean-up phase (typically 6 - 12 months), whereas that sand cut typically drops to 10 – 20% following clean-up, resulting in lower operating costs.

The petroleum revenue for the heavy oil produced at Cold Lake is based on the WCS Benchmark price.

Details of quarterly pricing in 2017 and 2016 is as follows:

2017	Q4	Q3	Q2	Q1
WTI - $US/bbl	55.40	48.21	48.29	51.91
WCS Benchmark –US$/bbl	43.14	38.26	37.16	37.33
WCS Dollar Differential –US$/bbl	12.26	10.05	11.13	14.58
WCS % Differential	22%	21%	23%	28%

2016	Q3	Q4
WTI - $US/bbl	44.94	49.29
WCS Benchmark –US$/bbl	31.44	34.97
WCS Dollar Differential –US$/bbl	13.50	14.30
WCS % Differential	30%	30%

As with most energy companies today, an increase in crude oil prices will have a significant positive impact on bottom line operating results. Management is prepared to increase activity with a view to increasing production in a more favourable price environment, which would improve the netback given the effect of spreading fixed operating costs over a larger production base.

Cash

As at December 31, 2017, the Corporation had cash of $221,461 as compared to $3,266,614 as at December 31, 2016. The decrease in cash of $3,045,153 results primarily from a final adjusting payment for the Kasten Assets of $616,181, property and equipment expenditures of $2,994,158 net of cash provided by operations of $605,186.

Trade and other receivables

The balance of trade and other receivables of $748,163 at December 31, 2017 is comprised primarily of amounts owing from oil and gas operations which have subsequently been collected.

Prepaid Expenses and Deposits

Prepaid expenses and deposits at December 31, 2017 was $140,816 and represents prepaid insurance and leases.

Trade and other payables

Trade and other payables at December 31, 2017 were $1,924,506 as compared to $1,126,187 at December 31, 2016. The increase in trade and other payables reflects a slower payment schedule in order to manage liquidity.

Debenture

	December 31, 2017 ($)	December 31, 2016 ($)
Balance, beginning of year	2,663,207	-
Issued in the year - face value	-	3,000,000
Less: equity component	-	(390,000)
Accretion in the year	336,793	53,207
	3,000,000	**2,663,207**
Less: current portion	**(3,000,000)**	**-**
Balance, end of year	**-**	**2,663,207**

On July 21, 2016, the Corporation 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 and is secured against the property of the Corporation 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.

As at December 31, 2017 interest of $67,500 had not been paid as required under the terms of the debenture. On April 25, 2018, the debenture holder waived the requirement to pay interest until maturity including the arrears interest. As a result of the non-payment of the interest, the principal amount of the debenture becomes a current liability.

Net Loss

The Corporation recorded a net loss for 2017 of $1,761,506 as compared to a loss of $707,769 in 2016. A comparison of 2017 to 2016 is difficult as 2017 includes 12 months of oil and gas operations while 2016 includes approximately 5.5 months. The 2016 loss was reduced by a one-time gain on acquisition of petroleum and natural gas properties of $2,154,428.

Fourth Quarter

The net loss for the three months ended December 31, 2017 and 2016 is as follows:

		2017		2016
Petroleum revenue	$	1,125,571	$	703,243
Less: royalties		83,813		58,934
		1,041,758		644,309
Production and operating costs		742,538		645,574
General and administrative		430,584		617,487
Depletion and depreciation		184,885		136,008
Accretion		61,541		70,937
Share-based compensation		17,752		53,257
		1,437,300		**1,523,263**
Finance income		(1,994)		(2,794)
Finance expense		265,143		55,354
		263,149		**52,560**
Gain on acquisition of petroleum and natural gas properties				**2,154,428**
NET INCOME (LOSS)	**$**	**(658,691)**	**$**	**1,222,914**

The increase in Q4 revenue and production and operating costs in 2017 as compared to 2016 reflect the three additional wells that were drilled and put into production Q1 2017.

In Q4 2017, general and administrative expenses of $430,584 and accretion of $61,541 were comparable to other quarters in 2017. The 2016 general and administrative expense of $617,487 was higher as a result of transitioning to an operating oil and gas company.

Finance expense was significantly higher in Q4 2017 as it includes accretion expense of $240,649 related to the reclassification of the debenture to current liabilities.

The net income in 2016 of $1,222,914 resulted from the one-time accounting gain of $2,154,428 on the acquisition of the Kasten Assets.

Common share information

Issued – common shares

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of year	149,600,768	131,202,046	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**	**149,600,768**	**131,202,046**

At the date of this MD&A, there are 149,600,768 Common Shares outstanding.

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:

	Year ended December 31, 2017			**Year ended December 31, 2016**		
	#		Weighted average exercise price	#		Weighted average exercise price
Outstanding, beginning of year	**13,900,000**	**$**	**0.16**	3,310,000	$	0.72
Expired	-		-	(2,210,000)		3.05
Issued	-		-	12,800,000		0.16
Outstanding, end of year	**13,900,000**	**$**	**0.16**	13,900,000	$	0.16
Exercisable, end of period	**10,060,000**	**$**	**0.16**	6,220,000	$	0.16

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2017.

	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	0.83	$0.18	1,100,000	$0.18
$0.16	12,800,000	3.58	$0.16	8,960,000	$0.16

The potential diluted number of common shares outstanding is as follows:

	December 31, 2017
Common shares	149,600,768
Options	13,900,000
Total common shares (diluted)	**163,500,768**

Liquidity and capital resources

As at December 31, 2017, the Corporation had $221,461 (December 31, 2016 - $3,226,614) in cash. The Corporation continues to incur losses from operations, was unable to pay debenture interest of $67,500 as described below in *Debenture* and has a working capital deficiency of $3,814,066 (2016 - working capital surplus of $2,131,683). In recognition of these conditions, the Corporation has negotiated a credit facility not exceeding $1,500,000 which is further described below in *Subsequent Event*, has taken steps to reduce operational costs and will seek the continued support of the debenture holder. These undertakings, while significant, may not be sufficient in and of themselves to enable the Corporation to fund all aspects of future operations, and accordingly, management will need to pursue other financing alternatives to fund the

Corporation so that it may continue as a going concern. The necessary financing may require the issuance of equity and/or debt instruments. There is no assurance that such initiatives may be successful.

The Corporation expects to generate sufficient funds from future operations in order to adequately fund general operations for a period of at least 12 months once the credit facility is finalized.

The pace of future capital investment and the related financial liabilities incurred from the capital investment program will be dependent upon the Corporation's capacity to secure additional equity/debt financing on favorable terms. The Corporation had no defaults or breaches on any of its financial liabilities other than the payment of debenture interest as previously discussed. The Corporation expects to satisfy obligations under trade and other payables in less than one year.

During 2017, cash balances decreased by $3,005,153 primarily for expenditures on property and equipment of $2,994,158 and the payment of $616,181 in regards to the 2016 purchase of the Kasten Assets. The cash outflows were offset by the cash generated from operations of $605,186.

Subsequent Events

Credit facility

On April 11, 2018, the Corporation signed a term sheet (the "Term Sheet") with a corporation controlled by a director (the "Lender"), which will provide for a credit facility not exceeding $1,500,000. The advances under the credit facility will bear interest at 8% per annum payable monthly and are secured by a General Security Agreement with the minimum advance being $500,000. The Lender will also be paid a structuring fee equal to 2% of the amount of any advance under the credit facility, with a minimum structuring fee of $10,000 payable.

The Lender will have the option to convert the advances under the credit facility into common shares of the Corporation ("Common Shares"). The conversion price per Common Share shall be: (i) the greater of the closing price of the Common Shares on the TSX Venture Exchange on the day prior to the issuance of this press release (the "Market Price") and $0.05 for the first year of the term of the loan; and (ii) the greater of the Market Price and $0.10 for the second year of the term of the loan.

Finalization of the credit facility agreement (which is subject to due diligence and regulatory approval) is expected to close on April 30, 2018. The credit facility will mature two years from the date of the Term Sheet.

Interest waiver

On April 25,2018, the holder of the debenture agreed to waive the requirement to pay the interest on the debenture including the arrears interest until maturity.

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash, trade and other receivables, trade and other payables and the debenture. It is management's opinion that the Corporation 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.

Credit risk

Credit risk is primarily related to the Company's trade receivables from petroleum and natural gas marketers and the risk of financial loss if a marketer fails to meet its contractual obligation. The Company's policy to mitigate credit risk associated with these receivables is to establish marketing relationships with large, credit worthy purchasers. The Company has not experienced any collection issues with its petroleum and natural gas marketers. As at December 31, 2017 and 2016, the Company's trade accounts receivables were all current. No default on outstanding receivables is anticipated and, as such, no provision for doubtful accounts has been recorded.

Interest rate risk

At December 31, 2017 and December 31, 2016, the Corporation had no outstanding floating interest rate debt and is not exposed to interest rate risk at this time.

Liquidity risk

Liquidity risk relates to the risk the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The current fixed financial liabilities on its statement of financial position are limited to accounts payable and accrued liabilities. The Corporation anticipates it will continue to have adequate liquidity to fund its existing current financial liabilities and ongoing operating and general administrative expenses through future operations when the new credit facility is finalized and with the continued support of the debenture holder. The pace of future capital investment and the related financial liabilities incurred from the capital investment program will be dependent upon the Corporation's capacity to secure additional equity/debt financing on favorable terms. The Corporation expects to satisfy obligations under trade and other payables in less than one year This matter is also discussed in note 2 of the 2017 Annual Financial Statements.

Summary of Quarterly Results (unaudited)

Fiscal Quarter Ended - $	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**
Revenue	1,125,571	1,537,431	1,351,015	1,354,047
Net loss	658,691	258,649	428,766	415,400
Net loss per share	0.00	0.00	0.00	0.01

Fiscal Quarter Ended - $	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Revenue	703,243	558,142	-	-
Net (income) loss	(1,224,829)	1,080,991	161,633	689,974
Net (income) loss per share	(0.01)	0.01	0.00	0.00

For the two quarters ended June 30, 2016, there were no oil and gas operations and the net loss results primarily from general and administrative expenses. The net income derived in the fourth quarter of 2016 results from the gain of $2,154,428 from the acquisition of the Kasten Assets.

The loss in the third quarter of 2017 is lower than the other 2017 quarterly losses as production was higher in the third quarter resulting in increased revenues to cover fixed costs.

Material Contracts, Commitments and Contingencies

Office lease

The Corporation has an office lease that requires monthly payments of $8,288 and expires March 29, 2019.

Drilling Commitments

The Corporation has a commitment to drill one well by December 31, 2018. The Corporation may be required to secure debt and/or equity financing in order to meet their 2018 capital commitment otherwise the petroleum and natural gas lease may not be renewed.

Litigation

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

Related parties

The Corporation is related to Kasten as a director of the Corporation is also an officer of Kasten. Pursuant to the Agreement of Purchase & Sale regarding the Kasten assets, Kasten agreed to act as a bare trustee which primarily included receiving the monthly cash receipts from petroleum and natural gas sales and forwarding the monies to the Corporation. During 2017 and 2016, the following additional transactions occurred with Kasten:

2017

- During the first quarter of 2017, the Corporation acquired $404,644 of drilling inventory at fair value from a supplier in which a director holds an interest and $294,261 of this amount is included in Trade and other payables on the Statement of Financial Position at December 31, 2017.
- A final adjusting payment of $616,181 was paid in 2017 in respect of the 2016 purchase of the Kasten Assets
- Interest expense of $90,000 was recorded in the Statement of Loss and Comprehensive Loss related to the debenture

2016

- In 2016, the Corporation advanced $525,000 prior to the acquisition of the Kasten Assets which was repaid at closing of the acquisition in 2016.
- In 2016, a $3,000,000 debenture was issued to Kasten as part of the purchase consideration as described in note 5.
- Interest expense of $40,192 was recorded in the Statement of Loss and Comprehensive Loss related to the debenture. At December 31, 2016, interest of $25,192 was included in Trade and other payables on the Statement of Financial Position
- In 2016, an officer received $16,000 for services rendered and the amount is included in general and administrative expenses in the Statement of Loss and Comprehensive Loss.

Key management personnel compensation, including directors, is as follows:

	Year ended December 31	
	2017 ($)	**2016 ($)**
Salaries, directors' fees and other benefits	782,094	956,962
Share-based compensation	128,612	232,491
	910,706	**1,189,453**

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 December 31, 2017. The total future obligation from these operating leases is described above in the section "Material Contracts, Commitments and Contingencies".

Accounting Standards Issued but Not Yet Applied

The standards and interpretations that are issued but not yet effective up to the date of issuance pf the Corporation's financial statements are listed below:

In May 2014, the IASB issued IFRS 15, *"Revenue from Contracts with Customers"* ("IFRS 15") to replace IAS 11, *"Construction Contracts"*, IAS 18, *"Revenue"* and a number of revenue-related interpretations. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS is effective for years beginning on or after January 1, 2018 with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation believes adoption of IFRS 15 on the Corporation's consolidated financial statements will have minimal impact other than enhanced disclosures.

In July 2014, the IASB issued IFRS 9, *"Financial Instruments"* ("IFRS 9") which is intended to replace IAS 39, *"Financial Instruments: Recognition and Measurement"*. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Corporation believes adoption of IFRS 9 on the Corporation's consolidated financial statements will have minimal impact other than enhanced disclosures.

In January 2016, the IASB issued IFRS 16, *"Leases"* ("IFRS 16") to replace IAS 17, *"Leases"*. Under IFRS 16, a single recognition and measurement model will apply for lessees, which will require recognition of assets and liabilities for most leases. IFRS 16 is effective for years beginning on or after January 1, 2019 with earlier adoption permitted. The Corporation is currently evaluating the impact of adopting IFRS 16 on the Corporation's consolidated financial statements.

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, 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 December 31, 2017, the Corporation had a cumulative deficit of $124,584,319. 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 generated from (used in operations) of the Corporation for the year ended December 31, 2017 and 2016, respectively, was $605,186 and ($2,493,143). 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 Corporation has approved 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.

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 Avenue S.W. Calgary, Alberta, Canada T2P 0P7.

Directors

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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

Officers

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

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Trustee and Transfer Agent

Computershare Trust Company

Solicitors

Burstall Winger Zammit LLP

Auditors

PricewaterhouseCoopers LLP