PetroFrontier

Management's Discussion & Analysis

September 30, 2019

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 three and nine months ended September 30, 2019 and year ended December 31, 2018. 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 condensed interim consolidated financial statements and MD&A, both of which are effective November 27, 2019.

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 but adding back lease rentals from non-producing properties from revenues on a dollar basis divided by total production for the period on a boe or bbl basis. 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.

Other terms used in this report are as follows:

bbl – barrel
bbls/d – barrels per day
CHOPS – Cold heavy oil produced with sand
WTI – West Texas Intermediate (a light oil reference price)
WCS – Western Canadian Select (a heavy oil reference price)

Corporate Overview

The Corporation is engaged in exploring for and the production of petroleum and natural gas in western Canada. The current core property is Cold Lake, a conventional heavy oil project.

A significant event which may impact the Corporation is described below in the section ***Subsequent Event***.

The Corporation has two wholly-owned inactive Australian subsidiaries, PetroFrontier (Australia) Pty Ltd and Texalta (Australia) Pty Ltd (collectively "PetroFrontier (Australia)"). When used herein, the term "Corporation" includes PetroFrontier (Australia) on a consolidated basis.

The Corporation operates from its offices located at 900, 903 - 8 Avenue 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 three and nine months ended and as at September 30:

	Three months ended and as at September 30		**Nine months ended and as at September 30**	
$	**2019**	**2018**	**2019**	**2018**
Net and comprehensive (loss)	(329,984)	(577,907)	(520,893)	(1,314,057)
Per common share (basic and diluted)	0.00	0.00	0.00	(0.01)
Working capital (deficiency)	(5,510,850)	(4,323,318)	(5,510,850)	(4,323,318)
Total assets	20,436,166	21,300,286	20,436,166	21,300,286
Total long-term liabilities	3,806,735	4,149,913	3,806,735	4,149,913
Shareholders' equity	10,466,572	11,946,066	10,466,572	11,946,066

The Corporation's net loss for the third quarter of 2019 is discussed further in the section *"Discussion of Operations"* and the working capital deficiency is discussed under *"Liquidity and Capital Resources"*.

Outlook

During the prolonged downturn, PetroFrontier's focus has been on optimizing value and minimizing costs in anticipation of gaining access to capital to continue development of its asset base built over this difficult period in the Industry. That focus has again helped the Corporation achieve significantly lower production operating costs and general and administrative expenses quarter over quarter. With the Proposed Funding Transaction (see *Subsequent Event* below) providing for up to $30 million, the Corporation now looks forward, subject to

closing, to continuation of the development of its high working interests in sizeable contiguous land blocks with their substantial reserve base. Management will also continue its efforts to control capital spending and costs and believes that focus, coupled with successful closure of the Funding Arrangement and its current credit facilities (see *"Convertible notes payable"*) through the continued support of its debenture holder, will position the Corporation for future growth.

Core properties

The Corporation 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 September 30, 2019, fourteen (14) wells have been drilled under the joint ventures establishing multi-zone productivity and substantial reserves.

By virtue of a joint venture agreement with the wholly-owned energy company of the Bigstone Cree Nation ("BCN") dated May 7, 2018, the Corporation also has interests in approximately 1,216 gross hectares in the Wabasca area of north-central Alberta. The Corporation's interests are located between CNRL's prolific Brintnell field currently producing 63,000 bop/d of heavy oil and Husky's proposed 10,000 bop/d heavy oil project announced earlier this year.

Subsequent Event

The Corporation has entered into a letter of intent and related term sheet with an arm's-length third party funder whereby the third party funder and its affiliates (collectively, the "Funder") will provide funding to allow the Corporation to further develop its interests in the Cold Lake and Wabasca areas of Alberta (the "Proposed Funding Transaction"). Pursuant to the term sheet, the Proposed Funding Transaction will proceed as follows:

(a) a limited partnership (the "Limited Partnership") will be formed as an Alberta limited partnership;
(b) The Corporation will assign all of its petroleum and natural gas interests (the "Assets") to the Limited Partnership in exchange for 99% of the units of the Limited Partnership (the "LP Units");
(c) The Corporation will enter into an operating agreement with the Limited Partnership to provide operating services with respect to the Assets;
(d) a new Alberta corporation will be formed to act as general partner for the Limited Partnership (the "General Partner") which will manage the business and affairs of the Limited Partnership. The General Partner will be jointly owned by The Corporation and the Funder, and a unanimous shareholders agreement will be entered into;
(e) The Funder will lend to the Limited Partnership the principal sum of up to $28 million to be advanced in three separate tranches, subject to meeting applicable conditions precedent; (i) an $8 million first tranche to be advanced on the closing date of the Proposed Transaction; (ii) a $10 million second tranche to be advanced on or before the first anniversary of the first tranche; and (iii) a $10 million third tranche to be advanced on or before the second anniversary of the first tranche (each tranche being an "Advance"). The second and third Advances are to be made in the sole discretion of the Funder;
(f) Interest on the principal sum of the Advances is 5% per annum until maturity, subject to adjustment in certain events. The principal sum of the Advances will be secured by a convertible debenture granting a first priority security interest over all of the assets and property of the Limited Partnership (including the Assets) and will include both positive and negative covenants. The principal sum matures on the earlier of the second anniversary of the last Advance made by the Funder or one year after the Funder has advised the Corporation that it does not intend to exercise its conversion option. The Funder has the right at any time before the second anniversary of the second Advance to elect to

convert the entire principal sum of all Advances, plus interest, into that number of LP Units that will give effect to the Funder owning an equal 50% of the issued and outstanding LP Units; and

(g) The Funder will subscribe for a minimum of $990,000 up to a maximum of $1,990,000 of common shares of the Corporation pursuant to a private placement at a price to be set in the context of the market, and subject to the TSX Venture Exchange Inc.'s (the "Exchange") discount requirements.

Pursuant to the binding terms of the letter of intent, the Corporation has agreed to provide the Funder with exclusivity to complete the Proposed Funding Transaction for a 90-day period and to not solicit or encourage any proposals from any other person. In addition to requisite approvals, the Proposed Funding Transaction remains subject to completion of due diligence by the Funder. The Funder may recover up to $200,000 in transaction costs under certain circumstances including if the Corporation elects to terminate the letter of intent prior to January 31, 2020. The Corporation has also agreed to pay the Funder a $2 million break fee if an alternate proposal is accepted by the Corporation.

The Proposed Funding Transaction is expected to close in December, 2019 subject to certain conditions and regulatory approvals.

Discussion of Operations

Revenue

2019	**Q3**	**Q2**	**Q1**
Revenue	$743,601	$985,710	$747,224
# bbls	14,801	17,133	16,191
Bbls/d	161	188	180
Revenue per bbl	$50.24	$57.53	$46.15
WCS -$C per bbl	$58.39	$65.73	$56.64
Differential to WCS	13.9%	13.8%	22.7%

2018	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$3,557,724	$275,430	$1,070,613	$1,283,113	$928,568
# bbls	94,770	17,894	18,849	27,497	30,530
Bbls/d	260	195	204	302	339
Revenue per bbl	$37.54	$15.39	$56.79	$46.66	$30.41
WCS -$C per bbl	$49.85	$25.62	$61.76	$62.75	$48.83
Differential to WSC	24.7%	25.0%	8.1%	25.6%	30.4%

The petroleum revenue for Q3 2019 was $743,601 (Q3 2018 - $1,070,613) a decrease of $327,012 with production averaging 161 bbls/d (2018 – 204 bbls/d). The Corporation realized an average price of $50.24 per bbl for Q3 2019 (Q3 2018 - $56.79) while the WCS benchmark price for heavy oil averaged C$58.39 (Q3 2018 – C$61.76). The decrease in revenue in the first nine months of 2019 as compared to the same period in 2018 is attributable to a decrease of 28,751 of oil barrels sold.

The Corporation's realized sales price is lower than the WCS benchmark price as the Corporation sells lower gravity oil than that used in setting the WCS benchmark price.

Royalties

Royalty expense was $75,385 for Q3 2019, 10.1% of petroleum revenue compared to Q3 2018 where royalties were 8.1% of petroleum revenue. Royalties are generally paid to Indian Oil and Gas Canada on behalf of the Cold Lake First Nation.

Production operating costs

Production operating costs were $459,149 in Q3 2019 compared to $912,645 in Q3 2018, a decrease of $453,496. The decrease in 2019 costs is primarily related to the Corporation's on-going cost reduction efforts and a decrease in production volumes. The prominent production costs continue to be for sand handling, utilities and petroleum transportation.

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**	
	2019 ($)	**2018 ($)**	**2019 ($)**	**2018 ($)**
Salaries and benefits	160,760	200,440	490,148	669,512
Office costs	55,086	90,926	191,198	252,188
Professional fees	49,524	55,288	229,850	203,002
Corporate and regulatory	6,710	2,677	24,545	20,974
	272,080	**349,331**	**935,741**	**1,145,676**

Overall, the general and administrative expenses have decreased $77,251 quarter over quarter and $209,935 for 2019 year to date over 2018 year to date. The decrease is primarily related salaries and wages where there was a reduction in head count and a salary rollback. Overall, office costs have decreased in 2019 as compared to 2018 resulting from the ongoing cost reduction program.

Depletion and depreciation

Depletion and depreciation were $328,794 for the nine months ended September 30, 2019 (2018 - $614,034). 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 for the first nine months of 2019 was $6.83 as compared to $7.78 in the same period in 2018.

Accretion on decommissioning liabilities

Accretion expense was $213,495 for the nine months ending September 30, 2019 (2018 - $190,491) and reflects the increase in the liability due to the passage of time.

Finance income and expense

Finance expense was $93,057 in Q3 2019 as compared to $32,138 for the same period in 2018 an increase of $60,919 while the year to date expense increased $127,603. The increase in the expense in 2019 was impacted by the year to date accretion of $94,761 (Q3 2019 - $51,761) related to the debenture and the convertible note payable where there was none in 2018.

Operating Netback

The following table details the Corporation's operating netback which is defined in a preceding section *"Non-IFRS Measures":*

	Three months ended September 30, 2019	Per boe	Nine months ended September 30, 2019	Per boe
Production (boe)	14,801		48,125	
Average daily production (boe/d)	161		175	
Petroleum and natural gas revenue	$743,601	$50.24	$2,476,535	$52.00
Royalties	$75,385	$5.09	$209,667	$4.03
Production operating costs [(1)]	$432,022	$29.19	$1,142,516	$21.32
Operational netback	$236,194	$15.96	$1,124,352	$26.65

(1) excludes annual lease rentals of $27,127 and $154,655 for the three and nine months ended September 30, 2019, respectively, related to non-producing lands

	Three months ended September 30, 2018	Per boe	Nine months ended September 30, 2018	Per boe
Production (boe)	18,849		76.876	
Average daily production (boe)	204		282	
Petroleum and natural gas revenue	$1,070,613	$56.79	$3,282,294	$42.69
Royalties	$86,929	$4.61	$258,959	$3.37
Production operating costs [(2)]	$857,268	$45.47	$2,061,132	$26.81
Operational netback	$126,416	$6.71	$962,203	$12.61

(1) excludes annual lease rentals of $55,377 and $204,685 for the three and nine months ended September 30, 2018, respectively, related to non-producing lands

The Corporation's operating netback was higher in Q3 2019 when compared to Q3 2018 as there was a significant decrease in the production operating costs of $16.28 per boe.

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

Details of quarterly pricing in 2019 and 2018 is as follows:

2019		**Q3**	**Q2**	**Q1**
WTI - $US/bbl		56.45	59.81	54.90
WCS Dollar Differential to WTI - US$/bbl		12.24	10.68	12.29
WCS % Differential		22%	18%	22%

2018	**Q4**	**Q3**	**Q2**	**Q1**
WTI - $US/bbl	58.81	69.50	67.88	62.87
WCS Dollar Differential to WTI –US$/bbl	21.99	22.25	19.27	24.28
WCS % Differential	37%	32%	28%	39%

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 September 30, 2019, the Corporation had a bank overdraft of $3,620 as compared to cash of $76,766 as at December 31, 2018. During the first half of 2019, cash used in operations was $467,490, capital expenditures paid were $62,895 offset by the proceeds of $450,000 from the advance related to the convertible note.

Trade and other receivables

The balance of trade and other receivables were $570,018 at September 30, 2019 as compared to $46,422 at December 31, 2018. The receivable balance was lower at December 31, 2018 as there were no oil sales in December or November that resulted in cash proceeds since diluent costs exceeded the oil sales proceeds.

Prepaid Expenses and Deposits

Prepaid expenses and deposits at September 30, 2019 were $81,991 (December 31, 2018 - $58,272) and is primarily comprised of prepaid industry fees.

Property and equipment

The Corporation has not drilled any wells in 2019 thus capital expenditures have been minimal to date.

Trade and other payables

Trade and other payables at September 30, 2019 were $2,432,250 as compared to $2,233,272 at December 31, 2018. The trade and other payables reflect a slower payment schedule in order to manage liquidity.

Convertible notes payable

		#1	**#2**		**Total**
Balance, beginning of year	$	500,000	-	$	500,000
Advances in the period		-	450,000		450,000
Equity component of the liability		-	(17,550)		(17,550)
Accretion of the note payable		-	2,772		2,772
		500,000	435,222		935,222
Less; current portion		(500,000)	-		(500,000)
Balance, September 30, 2019	$	-	435,222	$	435,222

Convertible Note #1

On May 16, 2018, the Corporation finalized a credit facility with a corporation controlled by a director (the "Lender"), which provides for a credit facility not exceeding $1,500,000. The advances under the credit facility 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 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) $0.08 for the first year of the term of the loan; and (ii) $0.10 for the second year of the term of the loan.

The credit facility matures two years from the date of closing being April 27, 2020. As at September 30, 2019, $500,000 has been advanced under this credit facility.

Convertible Note #2

On June 3, 2019, the Corporation finalized a credit facility with a corporation controlled by a director (the "Lender"), which provides for a credit facility not exceeding $2,000,000. The advances under the credit facility bear interest at 8% per annum payable monthly and are secured by a General Security Agreement.

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) $0.065 for the first year of the term of the loan; and (ii) $0.10 for the second year of the term of the loan.

The credit facility matures two years from the date of closing being June 3, 2021. As at September 30, 2019, $450,000 has been advanced under this credit facility.

Convertible Note #2 is comprised of both a debt and equity component. The debt component represents the discounted present value of the principal payment required at maturity, using an interest rate of 10% that would have been applicable to a non-convertible debt instrument of comparable risk and term at the date of issuance. The equity component represents the conversion feature and in included in Contributed Surplus.

Debenture

	September 30, 2019 ($)	**December 31, 2018($)**
Balance, beginning of year	3,000,000	3,000,000
Fair value adjustment	(195,000)	
Accretion in the year	91,989	-
	2,896,989	**3,000,000**
Less: current portion	**(2,896,989)**	**(3,000,000)**
Balance, end of period	**-**	**-**

On July 21, 2016, the Corporation issued a 3% secured convertible debenture in the principal amount of $3,000,000 to Kasten. The debenture was to mature no later than September 30, 2019 and is secured against the property of the Corporation. In June 2019, the debenture holder, at no cost to the Corporation, extended the maturity date of the debenture for one year subject to a 60-day notice period dependent on certain events occurring, with interest payable at maturity and has cancelled the conversion feature contained in the original debenture issued in 2016.

The liability component of the debenture was recognized at its fair value based on a market rate of 10%. The difference between the face value of the debenture and the fair value, being $195,000, will be accreted over the life of the debenture through profit and loss.

The Corporation may redeem the debenture prior to maturity by a cash payment of the principal and outstanding interest.

Decommissioning Liabilities

The Corporation's total decommissioning liability is estimated based on the Corporation'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.
By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant. The total undiscounted amount of the estimated cash flows required to settle its decommissioning liabilities are approximately $5,017,254 (December 31, 2018 - $5,017,254) which will be

settled over the operating lives of the underlying assets, estimated to occur primarily over the next ten years. A credit adjusted interest rate of 8% (2018 – 7%) and an inflation rate of 2% (2018 – 2%) were used to calculate the decommissioning liability. Settlement of the liability will be funded from general corporate funds at the time of retirement or removal.

Changes to the liabilities were as follows:

	September 30 2019 ($)	December 31 2018 ($)
Balance, beginning of year	**3,488,018**	3,549,422
Revisions to previously recorded liabilities	**-**	(317,881)
Accretion	**213,495**	256,477
	3,701,513	3,488,018
Current portion	**(330,000)**	(90,000)
Balance, end of year	**3,371,513**	3,398,018

Net Loss

The Corporation recorded a net loss in Q3 2019 of $329,984 as compared to a loss of $577,907 in 2018. The reduction in the net loss on a quarter over quarter basis reflects the ongoing cost reduction program.

Common share information

Issued – common shares

	Nine Months Ended September 30, 2019		**Nine Months Ended September 30, 2018**	
	Number of shares	Amount ($)	Number of shares	Amount ($)
Common Shares				
Balance, beginning and 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:

	Nine months ended September 30, 2019			Year ended December 31,2018		
	#		Weighted average exercise price	#		Weighted average exercise price
Outstanding, beginning of year	**12,800,000**	**$**	**0.16**	13,900,000	$	0.16
Expired	**-**		**-**	(1,100,000)		-
Outstanding, end of year	**12,800,000**	**$**	**0.16**	12,800,000	$	0.16
Exercisable, end of period	**12,800,000**	**$**	**0.16**	12,800,000	$	0.16

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 2019.

	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
$0.16	12,800,000	2.08	$0.16	12,800,000	$0.16

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

	September 30, 2019
Common shares	149,600,768
Options	12,800,000
Total common shares (diluted)	162,400,768

Liquidity and capital resources

As at September 30, 2019, the Corporation had a bank overdraft of $3,620 (December 31, 2018 – cash of $76,766) and continues to have a history of negative cash flow from operations. In recognition of these conditions, the Corporation negotiated a funding term sheet described in *Subsequent Event* sheet, , negotiated two credit facilities not exceeding $1,500,000 and $2,000,000 in the second quarter of 2018 and 2019 respectively, which are further described in *Convertible Notes Payable,* has taken steps to reduce operational costs and has negotiated a one-year extension on the maturity date of the debenture. 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 or farmout arrangements. 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 with savings from a cost reduction program and with the credit facilities now finalized but may require additional funds in order to meet the expenditures further described below under *Material Contracts, Commitments and Contingencies.*

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 or farmout arrangements 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.

Material Contracts, Commitments and Contingencies

Office lease

The Corporation had an office lease that required monthly payments of $8,000 which expired July 31, 2019. The lease in now on a month to month basis with monthly payments of $8,000.

In the first half of 2019, the Corporation expensed $68,365 related to the operating lease (2018 - $60,358).

Drilling commitments

The Corporation has an extension, subject to regulatory approval, to drill five (5) test wells under existing Cold Lake lease by November 30, 2020.

Under the Big Stone Development Agreement discussed below, the Corporation is required to spud five (5) test wells and complete, cap, plug or abandon the drilled wells. If the wells are not drilled by the expiry date, the lease shall then terminate with respect to all spacing units within the Leased Lands. The expiry dates are as follows:

- On or before March 30, 2020, three (3) wells must be spud;
- Between March 31, 2020 and March 30,2021, an additional two (2) wells must be spud.

The Corporation may be required to secure debt and/or equity financing in order to meet their future capital commitment otherwise the petroleum and natural gas leases may not be renewed.

Decommissioning obligations

Pursuant to the Inactive Well Compliance Program (“IWC Program”), the Alberta Energy Regulator (the “AER”) identified 22 wells in which the Corporation has a working interest that require some form of surface and/or downhole reclamation work. The AER requested the work be completed by March 31, 2020. The Corporation’s estimates the reclamation work will cost a total of $330,000 and that amount has been included in the current portion of decommissioning liabilities on the Consolidated Statement of Financial Position at September 30, 2019.

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.

Development Agreement

On May 9, 2018, the Corporation entered into a development agreement (the “Agreement”) for $250,000 with Bigstone Oil & Gas Ltd., the wholly-owned energy company of the Bigstone Cree Nation. The Agreement provides for the development of an initial 3,040 acres of oil and gas rights from surface to the base of the Mannville in the Wabasca area of north-central Alberta under lease to Bigstone Oil & Gas Ltd. (the “Lease”). The Lease provides for an Alberta Provincial Crown equivalent royalty with a minimum rate of 10%. Under the terms of the Agreement, PetroFrontier, as operator, has the right to earn a 90% before payout working

interest and 50% after payout working interest in five earning wells to be drilled by March 31, 2021 and a 50% working interest in the balance of the Lease.

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash, trade and other receivables, trade and other payables, convertible notes payable 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.

Interest rate risk

At September 30, 2019 and December 31, 2018, 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 financial liabilities on its statement of financial position are limited to trade and other payables, convertible note payable and the debenture, all of which are current in nature.

The Corporation has a working capital deficiency of $5,510,850 at September 30, 2019 (December 31, 2018 –$5,641,812). The Corporation expects it will have adequate liquidity to fund its existing financial liabilities and ongoing operating and general administrative expenses through its existing operations, the closing of the funding arrangement described in *Subsequent Event,* by utilizing its existing credit facilities and the continued support of the debenture holder, Kasten, a related party.

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 or farmout arrangements on favorable terms. The Corporation expects to satisfy obligations under trade and other payable in less than one year.

The Corporation had a commitment to drill two wells in 2019 which has now been extended to 2020. The Corporation may be required to secure debt and/or equity financing in order to meet their 2020 capital commitment.

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risks which consist primarily of fluctuations in petroleum and natural gas prices. With no bank debt as at September 30, 2019 and December 31, 2018, there is no current direct exposure to fluctuations in interest rates. The Corporation is exposed to fluctuations in commodity prices which affects the Corporation's revenue and any adverse fluctuations in interest rates, and commodity prices may indirectly affect the Corporation's ability to obtain equity financing and future bank debt, if required, and on favorable terms.

Summary of Quarterly Results (unaudited)

Fiscal Quarter Ended - $	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**
Revenue	743,601	985,710	747,224	275,430
Net income (loss)	(329,984)	119,391	(310,300)	(976,151)
Net loss per share	0.00	0.00	(0.01)	(0.01)

Fiscal Quarter Ended - $	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Revenue	1,070,613	1,283,113	928,568	1,125,571
Net loss	(577,907)	(112,328)	(623,822)	(658,691)
Net loss per share	0.00	0.00	(0.01)	0.00

The revenue in the fourth quarter of 2018 was lower than the other quarters due to unusually low oil prices.

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.

Other related party transactions are as follows:

- The $3,000,000 debenture issued to Kasten as part of the 2016 purchase consideration remains outstanding.
- Interest expense for the nine months ended September 30, 2019 related to the Kasten debenture of $67,500 (2018 - $67,500) was recorded in the Statement of Loss and Comprehensive Loss. At September 30, 2019, $225,000 (December 31, 2018 - $157,500) remains unpaid and is included in trade and other payables.
- The convertible notes payable of $950,000 are owing to corporations controlled by a director. Interest expense for the nine months ended September 30, 2019 was $45,929 and is recorded in the Statement of Loss and Comprehensive Loss. At September 30, 2019, interest payable of $45,929 is included in trade and other payables.
- In 2018 and 2017, the Corporation acquired $406,849 of drilling inventory at fair value from a supplier in which a director holds an interest. At September 30, 2019, $128,987 (December 31, 2018 - $128,987) is included in trade and other payables.

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, 2019. The total future obligation from these operating leases is described above in the section "Material Contracts, Commitments and Contingencies".

Accounting Standards Adopted in the First Quarter of 2019

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 adoption of IFRS 16 on the Corporation's consolidated financial statements did not have an impact.

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 September 30, 2019, the Corporation had a cumulative deficit of $127,395,420. 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 Corporation’s cash used in excess of the cash generated from operations in the first half of 2019 was $467,491. 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 will 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.

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Michael Hibberd
Businessman
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Paul Cheung
Businessman
Calgary, Alberta

Kelly Kimbley
President
Calgary, Alberta

Officers

Kelly Kimbley
CEO and
President

Robert L. Gillies
Vice-President Finance,
Secretary and
Chief Financial Officer

Ulrich Wirth
Vice-President Exploration

Omar El-Hajjar
Vice-President Operations

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Vice-President Business Development

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Computershare Trust Company

Solicitors

Burstall LLP

Auditors

PricewaterhouseCoopers LLP