



# PetroFrontier

## **PETROFRONTIER CORP. ANNOUNCES FARM-IN AGREEMENT WITH STATOIL AUSTRALIA OIL & GAS AS AND BOUGHT DEAL FINANCING**

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**Calgary, Alberta – June 20, 2012 (TSX-V: PFC)** - PetroFrontier Corp. ("PetroFrontier") is pleased to announce that through its two wholly-owned subsidiaries (PetroFrontier (Australia) Pty Ltd and Texus (Australia) Pty Ltd), it has entered into a binding farm-in agreement (the "Farm-in Agreement") with Statoil Australia Oil and Gas AS ("Statoil"), a wholly-owned subsidiary of Statoil ASA of Norway whereby Statoil will farm into PetroFrontier's four exploration permits and two exploration permit applications in the Southern Georgina Basin, Northern Territory, Australia. The Farm-in Agreement is subject to satisfaction of certain conditions precedent, including the approval of the Foreign Investment Review Board of Australia (the "FIRB").

Pursuant to the terms of the Farm-in Agreement, Statoil will have the option to earn up to 65% of PetroFrontier's working interests in EP 103, EP 104, EP 127 and EP 128 ("EPs") and in EPA 213 and EPA 252 ("EPAs") in exchange for exploration program related payments and carried costs of up to US\$210.0 million over three phases.

In addition, PetroFrontier has entered into a bought deal financing (see "Bought Deal Financing" below) with Macquarie Capital Markets Canada Ltd. to raise gross proceeds of C\$15.0 million. The net proceeds of the offering combined with its current working capital are expected to fully satisfy PetroFrontier's Phase 1 contribution of US\$25.0 million pursuant to the Farm-in Agreement. Statoil will also contribute US\$25.0 million to Phase 1. Should Statoil elect to proceed with the Phase 2 joint exploration program, PetroFrontier will receive a cash payment of US\$25.0 million (equal to its Phase 1 contribution) from Statoil and will be required to contribute US\$20.0 million towards the Phase 2 exploration program.

"We are very excited to announce this farm-in agreement whereby up to US\$230.0 million will be spent on our unconventional properties, of which Statoil will contribute up to US\$210.0 million. Statoil is a highly regarded international exploration company, actively involved in major unconventional plays and brings exceptional financial resources and technical capabilities to our new relationship" said Paul Bennett, President and CEO of PetroFrontier. "We believe that partnering with a global leader like Statoil validates the potential of our assets and the exploration work we have completed to date."

"These exploration activities are in line with our objective to access shale plays at an early stage, at low cost and to develop them into potentially high value assets. We are looking forward to exploring them together with PetroFrontier, a small but highly competent company" said Atle Rettedal, Statoil's Senior Vice President for New Ventures.

The Farm-in Agreement represents the successful conclusion of the joint venture search process announced by PetroFrontier on January 16, 2012 for which Macquarie Capital Markets Canada Ltd. has acted as PetroFrontier's exclusive advisor.

### **Terms of the Farm-in Agreement**

Under the terms of the Farm-in Agreement, Statoil will participate with PetroFrontier in the exploration of the EPs and EPAs as follows:

- Phase 1 (2012 & 2013)
  - Phase 1 consists of a joint exploration program of US\$50.0 million (with each of Statoil and PetroFrontier contributing US\$25.0 million).
  - Depending on the results from the current drilling and fracturing program, the parties will agree on further drilling locations and seismic, in part to ensure that the work commitments for the respective EPs are kept current.
  - PetroFrontier will be the operator during Phase 1.
  - At the end of Phase 1, Statoil will have the option to acquire 25% of PetroFrontier's working interest by reimbursing PetroFrontier for its US\$25.0 million Phase 1 contribution and by committing to proceed with Phase 2.
- Phase 2 (2014 & 2015)
  - The parties will conduct a further joint exploration program of US\$100 million (with Statoil contributing US\$80 million and PetroFrontier contributing US\$20 million).
  - Statoil has the option of becoming the operator during Phase 2.
  - Once Statoil has contributed its US\$80 million towards the Phase 2 program, it shall have earned an additional 25% of PetroFrontier's working interest in all of the EPs and EPAs and will have the option to commit to proceed with Phase 3.
- Phase 3 (2016)
  - The parties will conduct a further joint exploration program of US\$80 million with Statoil contributing all US\$80 million and PetroFrontier contributing nil.
  - Statoil shall be the operator during Phase 3.
  - Once Statoil has contributed its US\$80 million towards the Phase 3 program, it shall have earned an additional 15% of PetroFrontier's working interest in all of the EPs and EPAs.

At the end of Phase 3, Statoil will have completed its earning in the EPs and EPAs and will share future costs with PetroFrontier based on their respective ownership percentages.

### **Bought Deal Financing**

PetroFrontier has entered into an agreement, on a bought deal basis, with Macquarie Capital Markets Canada Ltd. (the "Underwriter") for an offering (the "Offering") of 15,000,000 subscription receipts at a price of \$1.00 per subscription receipt for gross

proceeds of \$15,000,000. PetroFrontier will grant the Underwriter an option (the "Over-allotment Option") to purchase an additional 2,250,000 subscription receipts exercisable at the offering price for a period of 30 days from the closing date for additional gross proceeds of approximately \$2,250,000. The Underwriter will be paid a commission equal to 6% of the gross proceeds from the sale of the subscription receipts, including the Over-allotment Option, and will be reimbursed for their expenses.

Each subscription receipt will entitle the holder the right to receive one PetroFrontier common share upon the satisfaction of certain conditions including, but not limited to, the receipt of all necessary regulatory and government approvals including the approval of the TSX Venture Exchange and the satisfaction of the conditions precedent in the Farm-in Agreement, including approval by the FIRB.

The gross proceeds from the sale of these subscription receipts will be held in escrow pending satisfaction of the conditions precedent in the Farm-in Agreement. In the event such conditions are not satisfied prior to 5:00 p.m. (Calgary time) on October 10, 2012 (the "Termination Time"), or if the Farm-In Agreement is terminated prior to such time, the holders of the subscription receipts will be entitled to receive an amount equal to the full subscription price thereof plus their pro rata share of the interest earned on such amount. Purchasers may exercise their right to convert the subscription receipts into common shares prior to the satisfaction of conditions precedent in the Farm-in Agreement or the Termination Time, as applicable, provided that in such event the purchaser shall have no right to the return of their subscription proceeds or any accrued interest thereon, which proceeds and any interest thereon shall be provided to the Company.

The subscription receipts will be issued pursuant to a short form prospectus to be filed by PetroFrontier in all provinces in Canada (except Quebec) and will also be offered for sale internationally pursuant to applicable registration or prospectus exemptions as permitted. Closing of the Offering is expected to occur on or about July 17, 2012, subject to the satisfaction of certain customary conditions, including approval of the TSX Venture Exchange

### **About Statoil ASA**

Statoil is an international technology-oriented energy company focused on upstream oil and gas operations and currently produces 1.85 million barrels of oil equivalent per day. Statoil has high ambitions for international growth and is present in more than 41 countries around the world. Statoil's shares are listed on both the Oslo Bors ("STL") and the New York Stock Exchange ("STO") with a market capitalization of approximately US\$75 billion. Statoil is approximately 70% owned by the Norwegian government.

### **About PetroFrontier Corp.**

PetroFrontier is an international oil and gas company engaged in the exploration, acquisition and development of both conventional and unconventional onshore petroleum assets in Australia's Southern Georgina Basin. PetroFrontier's common shares are listed on the TSX Venture Exchange under the symbol "PFC". Founded in 2009, PetroFrontier is one of the first companies to undertake onshore exploration in the Southern Georgina Basin in Australia's Northern Territory. PetroFrontier's head office is based in Calgary, Alberta and operations office is in Adelaide, South Australia.

### ***Forward-Looking Statements***

***This press release may contain forward-looking information that involves substantial known and unknown risks and uncertainties, most of which are beyond the control of PetroFrontier, including, without limitation, statements pertaining to management's future plans and operations, and the completion of and the use of proceeds from the Bought Deal Financing. All statements included herein, other than statements of historical fact, are forward-looking information and such information involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. A description of assumptions used to develop such forward-looking information and a description of risk factors that may cause actual results to differ materially from forward-looking information can be found in PetroFrontier's disclosure documents on the SEDAR website at [www.sedar.com](http://www.sedar.com). Any forward-looking statements are made as of the date of this release and, other than as required by applicable securities laws, PetroFrontier does not assume any obligation to update or revise them to reflect new events or circumstances.***

***Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.***

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