FORM 51-102F4
BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

PetroFrontier Corp. ("**PetroFrontier**" or the "**Corporation**")
Suite 520, 1011 – 1st Street S.W.
Calgary, Alberta T2R 1J2

1.2 Executive Officer

Kelly Kimbley
President
Tel.: (403) 650-6355

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

PetroFrontier and Kasten Energy Inc. ("**Kasten**") entered into a definitive agreement (the "**Definitive Agreement**") dated July 12, 2016 for the acquisition of certain resource assets of Kasten (the "**Assets**") in the Cold Lake area of northeastern Alberta (the "**Acquisition**").

The Assets consist of producing and non-producing oil and gas assets in the Cold Lake area of east-central Alberta with respect to which Kasten had a working interest in approximately 10,436 net acres.

More information regarding the Assets can be found in the filing statement of PetroFrontier dated June 30, 2016 (the "**Filing Statement**") which was filed on PetroFrontier's SEDAR profile at www.sedar.com on July 12, 2016 and which Filing Statement is incorporated by reference herein. Information regarding the Assets contained in the Filing Statement is derived from a report by DeGolyer and MacNaughton Canada Limited ("**DeGolyer**"), the independent reserves evaluators of Kasten, dated effective as of December 31, 2015 (the "**Assets Report**"). All terms used and not defined herein shall have the meaning given thereto in the Filing Statement.

The tables below summarize the data contained in the Filing Statement that was prepared in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* and should be read in conjunction therewith.

The net present value of future net revenue attributable to reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by DeGolyer. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by DeGolyer represent the fair market value of those reserves. The recovery and reserve estimates of oil and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

Assets - Summary of Oil and Gas Reserves – Forecast Prices and Costs

	Reserves	
	Heavy Crude Oil[1]	
	Gross (Mbbl)	Net (Mbbl)
Proved		
Developed Producing	407	366
Developed Non-Producing	742	638
Undeveloped	2,136	1,817
Total Proved	**3,285**	**2,821**
Probable	**3,871**	**3,194**
Total Proved Plus Probable	**7,156**	**6,015**

Assets - Net Present Value of Future Net Revenue – Forecast Prices and Costs

	Before Income Taxes Discounted at (%/Year)[1]				
Reserves Category	**@0.0% (MM$)**	**@5.0% (MM$)**	**@10% (MM$)**	**@15.0% (MM$)**	**@20.0% (MM$)**
Proved					
Developed Producing	5.9	4.7	3.9	3.3	2.8
Non-Producing	16.5	12.3	9.7	7.9	6.7
Undeveloped	45.1	32.6	24.3	18.7	14.6
Total Proved[2]	67.5	49.6	37.9	29.9	24.1
Total Probable[2]	94.0	66.6	49.9	38.9	31.4
Total Proved & Probable[2]	161.5	116.2	87.8	68.8	55.5

	After Income Taxes Discounted at (%/Year)[1]				
Reserves Category	**@0.0% (MM$)**	**@5.0% (MM$)**	**@10% (MM$)**	**@15.0% (MM$)**	**@20.0% (MM$)**
Proved					
Developed Producing	5.9	4.7	3.9	3.3	2.8
Non-Producing	12.7	9.8	7.8	6.5	5.6
Undeveloped	32.9	23.5	17.5	13.3	10.3
Total Proved[2]	**51.5**	**38.0**	**29.2**	**23.1**	**18.7**
Total Probable[2]	**68.6**	**48.4**	**36.0**	**27.9**	**22.3**
Total Proved & Probable[2]	**120.1**	**86.4**	**65.2**	**51.0**	**41.0**

Assets – Production Estimates

	Heavy Oil (bopd)	**Light and Medium Oil** (bopd)	**Natural Gas** (Mcf/d)	**Natural Gas Liquids** (bbls/d)	**BOE** (BOE/d)
Total Proved[2]	537	-	-	-	537
Total Probable[2]	241	-	-	-	241
Total Proved & Probable[2]	778	-	-	-	778

Notes:
(1) The numbers in the table may not add exactly due to rounding.
(2) As at December 31, 2015 and based on the Assets Report.

More information regarding the Assets can be found in the Filing Statement.

2.2 Date of Acquisition

The Transaction closed on July 21, 2016 and was effective as of June 1, 2016.

2.3 Consideration

Pursuant to the terms of the Definitive Agreement, consideration for the Assets was approximately $17,490,000, subject to adjustments, consisting of: (i) $3,500,000 cash; (ii) 70,000,000 common shares in the capital of PetroFrontier ("**Common Shares**") at a deemed price of $0.157 per Common Share; and (iii) a debenture in the principal amount of $3,000,000 in favour of Kasten.

PetroFrontier used its general working capital to fund the cash portion of the purchase price for the Assets and to pay the costs of the Acquisition.

More information regarding the consideration for the Assets in the Acquisition can be found in the Filing Statement.

2.4 Effect on Financial Position

Following the completion of the Acquisition, PetroFrontier has no plans for material changes in the business affairs of PetroFrontier that may have a significant effect on the results of the operations or financial position of PetroFrontier, provided however that in the ordinary course of its business, PetroFrontier is continuously seeking and evaluating opportunities to further its business objectives, which may include acquisitions of interests in additional oil and gas properties and/or entering into farm-out agreements, joint venture agreements, or sale agreements with respect to its existing oil and gas properties.

A detailed description of the effect of the Acquisition on the operations of PetroFrontier can be found in the Filing Statement and in the unaudited pro forma consolidated financial statements of the Corporation for the period ended March 31, 2016 and year ended December 31, 2015, attached as Schedule B to this report.

2.5 Prior Valuations

No valuation opinion was obtained within the last 12 months by the Corporation required by securities legislation or a Canadian exchange or market to support the consideration paid by the Corporation in respect of the Acquisition.

2.6 Parties to Transaction

The Acquisition was not with an "informed person", "associate" or "affiliate" of PetroFrontier, as those terms are defined under applicable securities legislation.

2.7 Date of Report

October 3, 2016.

Item 3 Financial Statements

Operating Statement

Pursuant to Part 8 of the NI 51-102, Schedule A hereto contains the operating statement of the Assets for the three months ended March 31, 2016 and 2015 (unaudited) and for the year ended December 31, 2015 with unaudited comparative figures for the year ended December 31, 2014, together with the notes thereto.

The Corporation has not obtained the consent of KPMG, LLP to include their auditor's report dated June 17, 2016 in respect of the audited operating statement of the Assets included as Schedule A of this report.

Pro Forma Financial Statements

Pursuant to Part 8 of the NI 51-102, Schedule B hereto contains a pro forma operating statement of PetroFrontier that gives effect to the Acquisition as of March 31, 2016 and December 31, 2015.

Schedule A

Operating Statement of the Assets

Operating Statement of the

ACQUIRED ASSETS

For the three months ended March 31, 2016 and 2015 (unaudited) and for the year ended December 31, 2015 with unaudited comparative figures for the year ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Directors of Kasten Energy Inc.

We have audited the accompanying operating statement containing revenue, royalties, operating costs and operating income (loss) of certain oil and gas properties in the Cold Lake area of Alberta (the "Acquired Assets") for the year ended December 31, 2015 and notes, comprising a summary of significant accounting policies and other explanatory information (together "the operating statement").

Management's Responsibility for the Operating Statement

Management of Kasten Energy Inc. is responsible for the preparation of the operating statement of the Acquired Assets in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards,* for an operating statement of an acquired oil and gas property, and for such internal control as management determines is necessary to enable the preparation of the operating statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the operating statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the operating statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the operating statement. The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the operating statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the operating statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the operating statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the operating statement of the Acquired Assets for the year ended December 31, 2015 is prepared, in all material respects, in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards, for an operating statement of an acquired oil and gas property.

Other Matter

The operating statement of the Acquired Assets for the year December 31, 2014 and the three months ended March 31, 2016 and 2015, is unaudited.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
June 17, 2016

ACQUIRED ASSETS

Operating Statement of the Acquired Assets

For the three months ended March 31, 2016 and 2015 (unaudited) and for the year ended December 31, 2015 with unaudited comparative figures for the year ended December 31, 2014
(Amounts are in Canadian dollars)

	Three months ended March 31,		Years ended December 31,	
	2016 (unaudited)	**2015 (unaudited)**	**2015**	**2014 (unaudited)**
Revenue				
Petroleum and natural gas	$ 426,176	$ 1,096,330	$ 4,866,304	$ 8,477,057
Royalties	(33,173)	(80,396)	(383,812)	(586,138)
	393,003	1,015,934	4,482,492	7,890,919
Operating costs	(580,154)	(1,148,276)	(4,289,769)	(4,644,983)
Operating (loss) income	$ (187,151)	$ (132,342)	$ 192,723	$ 3,245,936

See accompanying notes to the operating statement.

ACQUIRED ASSETS
Notes to the Operating Statement of the Acquired Assets

For the three months ended March 31, 2016 and 2015 (unaudited) and for the year ended December 31, 2015 with unaudited comparative figures for the year ended December 31, 2014

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1. Basis of presentation:

The operating statement reflects the revenue, royalties, operating costs and operating income (loss) of certain petroleum and natural gas properties in the Cold lake area of Alberta (the "Acquired Assets") for the three months ended March 31, 2016 and 2015 and the years ended December 31, 2015 and 2014 and accordingly, does not present the complete revenue and expenses related to these properties.

The operating statement has been prepared from the records of the vendor of the Acquired Assets and includes only working interest revenue, royalties and operating expenses of the Acquired Assets. The statement does not include any provision for depletion and depreciation, accretion of decommissioning obligations, future capital costs, impairment of oil and gas properties, general and administrative costs, and income taxes for the Acquired Assets as these amounts are based on the operations of the vendor of which the Acquired Assets form only a part.

The operating statement has been prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards* for an operating statement of an acquired oil and gas property. The revenue, royalties and operating expenses and operating income (loss) reported in the operating statement are stated in accordance with International Financial Reporting Standards ("IFRS").

2. Significant accounting policies:

(a) Revenue recognition:

Petroleum and natural gas revenues are recognized when the commodities are delivered and title passes to the external third-party purchaser. Petroleum and natural gas revenues are based on spot prices. Revenues do not include any amounts from financial derivative contracts or hedging.

(b) Royalties:

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or the terms of the individual royalty agreements.

(c) Operating expenses:

Operating costs, which includes transportation expenses, include only those costs incurred at the wellhead together with the costs associated with the gathering, processing and delivery of the petroleum and natural gas.

(d) Joint interest operations:

The operating statement reflects only the proportionate interest in the properties proposed to be acquired by PetroFrontier Corp.

Schedule B

Pro Forma Consolidated Financial Statements of PetroFrontier Corp.

PetroFrontier Corp.

Pro Forma Operating Statements
(unaudited)

For the three months ended March 31, 2016 and year ended December 31, 2015

PetroFrontier Corp.
Pro Forma Operating Statement
For the three months ended March 31, 2016
(Unaudited)

	PetroFrontier Corp.	Acquired Assets	Pro Forma
Revenue:			-
Petroleum and natural gas sales	$ -	$ 426,176	$ 426,176
Royalties	-	(33,173)	(33,173)
		393,003	393,003
Operating expenses	-	580,154	580,154
Operating income	$ -	$ (187,151)	$ (187,151)

PetroFrontier Corp.
Pro Forma Operating Statement
For the year ended December 31, 2015
(Unaudited)

	PetroFrontier Corp.	Acquired Assets	Pro Forma
Revenue:			-
Petroleum and natural gas sales	$ -	$ 4,866,304	$ 4,866,304
Royalties	-	(383,812)	(383,812)
	-	4,482,492	4,482,492
Operating expenses	-	4,289,769	4,289,769
Operating income	$ -	$ 192,723	$ 192,723

1. Nature of operations

PetroFrontier Corp. (the "Corporation") was incorporated in Alberta, Canada on February 6, 2009 under the name Australia Energy Corp. On December 31, 2010, Australia Energy Corp. amalgamated with Pendulum Capital Corporation by filing Articles of Amalgamation, with the resulting name being PetroFrontier Corp. The Corporation's registered office is 520, 1011 – 1st Street S.W. Calgary, Alberta, Canada T2R 1J2. The Corporation's common shares trade on the TSX Venture Exchange under the stock symbol "PFC".

The Corporation had been an oil and gas exploration company engaged in the exploration, acquisition and development of both conventional and unconventional petroleum assets in Australia's Southern Georgina Basin. The Corporation in no longer actively involved in Australia due to the lack of exploratory potential of the lands. The Corporation is now focusing its attention on a new oil and gas exploration and development investment in Alberta, Canada.

2. Basis of presentation

These pro forma operating statements have been prepared by management of the Corporation to reflect the purchase and sale agreement effective June 30, 2016 (the "Acquisition Agreement") between the Corporation and Kasten Energy Inc. ("Kasten"). Under the terms of the Acquisition Agreement, the Corporation will acquire the working interests in the petroleum and natural gas properties and related tangible equipment ("Acquired Assets") owned by Kasten in the Cold Lake area of Alberta.

The pro forma operating statements also give effect to significant acquisition during the year ended December 31, 2015, specifically the acquisition of properties in the Cold Lake area of Alberta.

The pro forma operating statements have been prepared with information derived from and should be read in conjunction with:

- The unaudited interim consolidated financial statements of the Corporation, together with the notes thereto, as at and for the three months ended March 31, 2016 and 2015;
- The audited consolidated financial statements of the Corporation, together with notes thereto, as at and for the years ended December 31, 2015 and 2014;
- The unaudited Operating Statement of the Acquired Assets for the three months ended March 31, 2016 and 2015;
- The audited Operating Statement of the Acquired Assets for the year ended December 31, 2015 and unaudited Operating Statement of the Acquired Assets for the year ended December 31, 2014.

The accompanying unaudited pro forma operating statements have been prepared by the management of the Corporation in accordance with accounting policies that are permitted by International Financial Reporting Standards ("IFRS") and the financial reporting framework specified in subsection 3.14 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for acceptable accounting policies for pro forma financial statements. However, these operating statements are not in compliance with IFRS as certain notes and information have been omitted or condensed for the purpose of the pro forma operating statements.

These unaudited pro forma operating statements for the year ended December 31, 2015 and the three month period ended March 31, 2016 give effect to the transactions and assumptions described herein, as if they had occurred on January 1, 2015. They may not be indicative of the results of operations that would have resulted had the transactions been effected on the date indicated, or the results that may be obtained in the future. In the opinion of management, the unaudited pro form operating statements include all the necessary adjustments for the fair presentation of the ongoing entity.

The unaudited pro forma operating statements do not include any provision of depletion and depreciation, exploration and evaluation expense, general and administrative costs, interest and financing costs or income taxes.

All references to dollar amounts in these pro forma financial statements and related notes are in Canadian dollars.

3. Significant accounting policies

(a) Revenue recognition:

Petroleum and natural gas revenues are recognized when the commodities are delivered and title passes to the external third-party purchaser. Petroleum and natural gas revenues are based on spot prices. Revenues do not include any amounts from financial derivative contracts or hedging.

(b) Royalties:

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or the terms of the individual royalty agreements.

(c) Operating expenses:

Operating and transportation expenses include only those costs incurred at the wellhead together with the costs associated with the gathering, processing and delivery of the petroleum and natural gas.

(d) Joint interest operations:

The operating statement reflects only the proportionate interest in the properties proposed to be acquired by PetroFrontier Corp.