PetroFrontier

Management's Discussion & Analysis

December 31, 2020

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, 2020.

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, 2020 and 2019. 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, 2021.

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.

Significant events which may impact the Corporation is described below in the section ***Subsequent Events***.

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 years ended and as at December 31:

		2020		**2019**		**2018**
Net loss	$	1,868,455	$	824,775	$	2,290,208
Net comprehensive loss		1,868,455		824,775		2,290,208
Per common share (basic and diluted)		0.01		0.01		0.02
Working capital (deficiency)		(1,947,948)		(5,523,360)		(5,641,812)
Total assets		22,988,244		19,379,626		20,191,205
Total long-term liabilities		9,088,087		3,270,279		3,398,018
Shareholders' equity	$	11,359,925	$	10,167,370	$	10,969,915

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

Outlook and Current Environment

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus ("COVID-19"). The emergence of COVID-19 and the steps taken by governments to control the spread of the virus resulted in significant instability in the global economy and a sharp decline in demand for crude oil. This combined with the increased supply of crude oil due to the Russia and Saudi Arabia (collectively, "OPEC+") price war resulted in an unprecedented collapse in global crude oil prices and significant volatility during Q2/2020. Global crude oil prices began to recover during the second half of 2020 as Russia and members of

OPEC agreed to curtail production and governments began to ease restrictions which increased demand. In Q4/2020 vaccines were approved and distribution began which fueled further optimism that demand will be restored. Vaccine approval and distribution has continued in 2021 and OPEC+ has agreed to continue production curtailments which has resulted in recent improvements in crude oil prices in 2021.

As a result of the extraordinary collapse in oil prices resulting by steps taken by countries around the world to combat the spread of COVID-19, as well as the decisions made by OPEC members earlier in the first quarter, the entire petroleum industry has been severely impacted. This has greatly added to the difficulties of what had already been a deep and prolonged downturn in the energy sector. In response, like the entire industry, the Corporation immediately began to take steps to address this unprecedented turn of events. Those steps included further reducing costs (primarily in the form of reductions in G&A), slowing production rates and storing those reduced volumes. The result, of course, has been a dramatic reduction in cashflow from operations for the first and second quarters of 2020. As circumstances play themselves out, the Corporation's management and board will continue to monitor events closely with a view to determining the appropriate steps as we all deal with this most unprecedented of situations.

Prior to the pandemic, the Corporation's focus has been on optimizing value and continued cost reduction as it pursues additional capital to continue development of its asset base. That focus has allowed the Corporation to again achieve lower production operating costs and general and administrative expenses both quarter over quarter and year over year. Management shall remain diligent in its efforts to manage the Corporation in a manner that addresses near term challenges and long-term value realization. Those continued efforts, coupled with its current credit facilities (see *"Convertible notes payable"*) and the ongoing support of its shareholders, will allow the Corporation to realize the value of its exceptional asset base in the future.

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 December 31, 2020, 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 events

2021 Credit Facility

On March 1, 2021, the Corporation secured a credit facility enabling it to meet its drilling commitments.

The commitment letter provided to the Corporation for advances in the amount of up to CDN $2,000,000 (the "Credit Facility") from a syndicate of lenders including Kasten Energy Inc. ("Kasten"). Advances drawn under the Credit Facility ("Advances") bear interest at a rate of 8% per annum. The Advances under the Credit Facility are due on the earlier of one year from the date of the final Advance under the Credit Facility or April 30, 2022. The Credit Facility will be secured by a General Security Agreement, Funds advanced under the Credit Facility will be used for the drilling of four (4) commitment wells required to be drilled under the Corporation's existing joint ventures.

In accordance with the policies of the TSX Venture Exchange Inc., the Corporation has agreed to pay, pro rata to the lenders, a fee equal to 20% of the value of the Credit Facility which will be paid by the issuance of common shares at a deemed price of $0.075 per common share - being the closing price of the common shares on the date of entering into of the Credit Facility.

To date, the credit facility has been fully advanced.

Site Rehabilitation Program

In May 2020, the Government of Alberta announced the Site Rehabilitation Program ("SRP") whereby qualified contractors (the "Contractors") could apply for grants to assist with the abandonment and reclamation activities of upstream oil and gas wells, pipelines and associated facilities.

The SRP will provide grant funding to successful Contractors in the oil field services sector who have entered into, and comply with, an oil field service contract with an oil and gas company, who has a qualified business. The grant payments are made directly to the Contractors and not the oil and gas company.

Furthermore, the SRP made available up to $100 million in funding for applications received between February 12, 2021 and March 31, 2022 for abandonment and reclamation activities on first Nation and Metis settlements. The Corporation believes they qualify under this program and their Contractor has made application to provide abandonment and reclamation work on eleven (11) wells with the cost not to exceed $278,000.

Drilling Commitments

As set out under the Bigstone Development Agreement, the Corporation was required to spud five (5) test wells and complete, cap, plug or abandon the drilled wells. The Corporation has met the drilling conditions with one well being spud by March 31, 2020 and the remaining four (4) wells being spud in March 2021.

Discussion of Operations

Revenue

2020	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	1,222,021	$390,405	$301,164	$342,909	$187,543
# bbls	36,239	11,232	8,189	8,247	8,571
Bbls/d	99	122	89	91	94
Revenue per bbl	$33.72	$34.76	$36.78	$41.58	$21.88
WCS -$C per bbl	$35.95	$43.46	$42.40	$22.70	$34.48
Differential to WCS	6.2%	20.0%	13.3%	-	36.3%

2019	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$3,112,833	$636,298	$743,601	$985,710	$747,224
# bbls	63,137	15,012	14,801	17,133	16,191
Bbls/d	173	163	161	188	180
Revenue per bbl	$49.31	$42.39	$50.24	$57.53	$46.15
WCS -$C per bbl	$58.75	$54.29	$58.39	$65.73	$56.64
Differential to WCS	16.3%	21.9%	13.9%	13.8%	22.7%

The petroleum revenue for 2020 was $1,222,021 (2019 - $3,112,833) a decrease of $1,890,812 with production averaging 99 bbls/d (2019 – 173 bbls/d). The Corporation realized an average price of $33.72 per bbl for 2020 (2019 - $49.31) while the WCS benchmark price for heavy oil averaged C$35.95 (2019 – C$58.75). The decrease in revenue in 2020 as compared to 2019 is attributable to a decrease of 26,898 of oil barrels sold resulting from fewer producing wells in 2020.

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 $82,543 for 2020 (2019 – $249,411), being 7% and 8%, respectively of petroleum revenue for both years. 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 $1,248,815 ($34.46 per boe) in 2020 compared to $1,783,867 ($28.25 per boe) in 2019, a decrease of $535,052. The overall decrease in 2020 is primarily related to reduced annual production and the Corporation's on-going cost reduction efforts related to operators, repairs and maintenance, sand handling, fuel costs and the decrease in production volumes. The increase in operating costs on a per boe basis is mainly attributable to reduced economies of scale, chiefly fixed operating costs spread over fewer produced boe's.

General and administrative expense

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

	Three months ended December 31		**Years ended December 31**	
	2020 ($)	**2019 ($)**	**2020 ($)**	**2019 ($)**
Salaries and benefits	167,231	95,328	487,617	585,476
Office costs (reversal of overaccrual)	(7,527)	83,807	175,303	275,005
Professional fees (reversal of overaccrual)	7,118	(18,968)	175,164	210,882
Corporate and regulatory	9,606	5,586	65,312	30,131
	176,428	**165,753**	**903,396**	**1,101,494**

Overall, the general and administrative expenses have increased $10,675 quarter over quarter and decreased $198,098 for 2020 as compared to 2019.

In 2020, salaries and wages decreased by $97,859 as compared to 2019 as a result of a further reduction in the salaries and wages as well as securing available COVID-19 government assistance. In this regard, the Government of Canada has provided financial assistance to Canadian companies through various programs. The Corporation has received the Canada Emergency Wage Subsidy ("CEWS") in the amount of $215,357 in 2020 which, along with the other measures referenced above, has reduced salaries and benefits expense. In the fourth quarter, the Corporation accrued directors' fees of $65,000 which accounts for the increase in salaries and benefits of $69,903.

Overall, office costs have decreased $99,702 in 2020 as compared to 2019 and this is partially due to rent expense having been reduced by federal rent subsidies of $47,975. The Corporation was approved in August for the Canada Emergency Commercial Rent Relief Assistance ("CERCA"). Under this program, the Corporation's monthly rent was be reduced by 75% from $8,000 per month to $2,000 for the months of April to September inclusive.

In November 2020, the Canada Emergency Rent Subsidy became effective for the periods September 27, 2020 to June 2021 and replaces the CERCA program which had expired. Under this program, an eligible business may apply for a maximum subsidy equal to 65% of eligible expenses depending upon certain criteria.

The Corporation's office costs for office rental did increase in 2020 from 2019 by approximately $14,000 before the rent subsidies along with an increase in insurance costs of $6,300.

The fourth quarter office costs in 2019 include a donation of $25,700 which was not incurred in 2020.

Professional fees decreased $35,718 from 2019 as compared to 2020. This results from reduction in professional legal services.

Depletion and depreciation

Depletion and depreciation were $270,035 for 2019 (2019 - $431,597). 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 2020 was $7.45 as compared to $6.84 in 2019.

Accretion on decommissioning liabilities

Accretion expense was $89,051 in 2020 (2019 - $287,525) and reflects the increase in the liability due to the passage of time. The accretion expense has decreased as the Corporation has changed from a credit-adjusted interest rate to a risk-free interest rate in calculating their decommissioning liabilities.

Finance income and expense

		2020 ($)		**2019 ($)**
Interest on debentures		91,128		85,772
Interest on convertible notes payable		99,269		45,929
Accretion		94,795		147,013
Extension fee on convertible note payable		23,203		-
Extension fee on debenture payable		60,000		-
Interest income		(2,839)		-
	$	**365,556**	**$**	**278,714**

Finance expense was $365,556 in 2020 as compared to $278,714 in 2019, an increase of $86,842. The increase in the expense in 2020 was impacted by the re-financing of the debenture and the convertible note payable effective June 30, 2020.

Operating Netback

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

	Three months ended December 31, 2020	**Per boe**	**Year ended December 31, 2020**	**Per boe**
Production (boe)	11,232		36,239	
Average daily production (boe/d)	122		99	
Petroleum and natural gas revenue	$390,405	$34.76	$1,222,021	$33.72
Royalties	$34,209	$3.05	$82,543	$2.28
Production operating costs	$430,228	$38.30	$1,248,815	$34.46
Operational netback	($74,032)	($6.59)	($109,337)	($3.02)

	Three months ended December 31, 2019	**Per boe**	**Year ended December 31, 2019**	**Per boe**
Production (boe)	15,012		63,137	
Average daily production (boe)	163		173	
Petroleum and natural gas revenue	$636,298	$42.39	$3,112,833	$49.31
Royalties	$39,744	$2.65	$249,411	$3.94
Production operating costs	$486,696	$32.42	$1,783,867	$28.25
Operational netback	$109,858	$7.32	$1,079,755	$17.12

The Corporation's netback was $20.14 lower in 2020 as compared to 2019. The decrease is mainly related to the selling price per boe which was $15.59 higher in 2019 and with lower production volumes in 2020, the production costs per boe were $6.21 higher.

The Corporation's operating netback was higher in Q4 2019 when compared to Q4 2020 as there was a significant decrease in the selling price of oil of $7.63 in Q4 2020.

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

Details of quarterly pricing in 2020 and 2019 is as follows:

2020	**Q4**	**Q3**	**Q2**	**Q1**
WTI - $US/bbl	$42.66	$40.93	$27.85	$46.17
WCS Dollar Differential to WTI - US$/bbl	$9.31	$9.09	$11.47	$20.53
WCS % Differential	22%	22%	47%	44%

2019	**Q4**	**Q3**	**Q2**	**Q1**
WTI - $US/bbl	56.96	56.45	59.81	54.90
WCS Dollar Differential to WTI –US$/bbl	15.83	12.24	10.68	12.29
WCS % Differential	28%	22%	18%	22%

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.

Quarterly results

	Three months ended December 31, 2020	**Three months ended December 31, 2019**
Petroleum and natural gas revenue	$390,405	$636,298
Royalties	$34,209	$39,744
	$356,196	$596,554
Expenses:		
Production operating costs	$430,228	$486,696
General & Administrative	$176,429	$165,753
Depletion and depreciation	$80,682	$102,803
Accretion	$849	$74,030
Share-based compensation	$24,855	-
Loss on modification of convertible note payable	31,661	-
Finance costs	$27,552	$71,154
Net and comprehensive loss	($416,060)	($303,882)

The significant factor in comparing Q4 2020 to Q4 2019 relates to the sales price of oil in 2020. In November and December 2020, there was a significant decrease in the price of oil such that the realized price was only

$34.76 per bbl in Q4 2020 versus $42.39 per bbl in Q4 2019. In addition, the volumes sold in Q4 2020 were 3,780 barrels less than Q4 2019.

Accretion was $849 in Q4 2020 as compared to $74,030 in Q4 2019 reflecting the change to a risk-free interest rate in 2020.

The share-based compensation expense relates to the options issued in 2020 where there was no expense in 2019.

The finance costs increased in Q4 2020 as compared to Q4 2019 as the modifications related to the debt resulted in an increase in June 2020.

Cash

As at December 31, 2019, the Corporation had a bank overdraft of $277,758 as compared to cash of $13,141 as at December 31, 2020. The increase in cash in 2020 relates to increased cash management and the benefit of government assistance.

Trade and other receivables

The balance of trade and other receivables were $524,877 at December 31, 2020 as compared to $352,754 at December 31, 2019. The receivable balance was higher at December 31, 2020 as certain November sales were paid in early January.

Prepaid Expenses and Deposits

Prepaid expenses and deposits at December 31, 2020 were $54,256 (December 31, 2019 - $65,863) and is primarily comprised of prepaid industry fees and prepaid rent.

Property and equipment

The Corporation did not drill any wells in 2020 and 2019 thus capital expenditures have been minimal.

Exploration and evaluation assets

The Corporation drilled one well in March 2020 which has not yet been put on production and is being evaluated at this time.

Trade and other payables

Trade and other payables at December 31, 2020 were $2,210,222 as compared to $1,887,739 at December 31, 2019. The trade and other payables reflect a slower payment schedule in order to manage liquidity.

Bank loan

In 2020, the Corporation received a bank loan of $60,000 that is guaranteed by the Canadian government under the Canada Emergency Business Account program in response to the Covid-19 pandemic. The bank loan is interest-free and 25% of the initial tranche of $40,000 and 50% of the second tranche of $20,000 are eligible for loan forgiveness if fully repaid on or before December 31, 2022. No principal payments are required during this period.

If the bank loan is not repaid by December 31, 2022, the bank loan may be converted into a three-year term loan at an interest rate of 5% per annum payable monthly with no principal payments until December 31, 2025.

Convertible notes payable

		#1		#2		Total
Balance, January 1, 2019	$	500,000	$	-	$	500,000
Advances in the year		-		570,000		570,000
Equity component of the liability		-		(22,230)		(22,230)
Accretion on the note payable		-		5,533		5,533
Balance, December 30, 2019	**$**	**500,000**	**$**	**553,303**	**$**	**1,053,303**
Advances (repayments) in the year		(500,000)		533,000		33,000
Accretion and modification fees in the year		-		(11,481)		(11,481)
Modification cost of note payable		-		31,661		31,661
Accrued interest payable		-		112,436		112,436
Extension fee payable		-		23,203		23,203
Balance, December 31, 2020	**$**	**-**	**$**	**1,242,122**	**$**	**1,242,122**

Convertible Note #1

On May 16, 2018, the Corporation finalized a credit facility with a corporation controlled by a former director (the "Lender"), which provided for a credit facility not exceeding $1,500,000. The advances under the credit facility were to bear interest at 8% per annum payable at maturity and were secured by a General Security Agreement with the minimum advance being $500,000.

The credit facility was to mature on April 27, 2020, however, the amount was repaid in the first quarter of 2020 and the facility was cancelled.

Convertible Note #2

On June 3, 2019, the Corporation finalized a credit facility with a corporation, related by common directorship, (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 at maturity 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.

On June 30, 2020, the Corporation entered into an amending agreement with Kasten to extend the convertible note payable until August 31, 2022 and revise the conversion price to (i) $0.05 for 12 months after the exchange feature; and, (ii) $0.10 for the remaining term until maturity. In addition, an annual extension fee of 2% of the amount outstanding under the convertible note will be payable to the Kasten. The terms and future cashflows under the amended agreement to the initial convertible note is not substantially different from the terms of the existing convertible note, therefore the amendment is considered to be a debt modification.

As a result, a loss on debt modification of $31,661 was recorded for the difference between the carrying value of the convertible note at the date of the amendment and the fair value of the cashflows under the amended terms. Subsequent to June 30, 2020, the convertible note is carried at amortized cost using the effective interest rate method.

Debenture

	December 31, 2020 ($)	**December 31, 2019 ($)**
Balance, beginning of year	2,946,480	3,000,000
Accretion before extinguishment	53,520	-
Balance after extinguishment of original debenture	3,000,000	3,000,000
Equity value of conversion feature	(53,591)	-
Settlement in exchange for common shares (note 10)	(1,000,000)	-
Extension fee	(60,000)	-
Accretion after extinguishment	52,756	141,480
Balance of amended debenture	1,939,165	3,141,480
Accrued interest payable	405,681	-
Extension fee payable	60,000	-
Fair value adjustment	-	(195,000)
	2,404,846	**2,946,480**
Less: current portion	**-**	**(2,946,480)**
Balance, end of year	**2,404,846**	**-**

On July 21, 2016, the Corporation had issued a 3% secured convertible debenture in the principal amount of $3,000,000 to Kasten. The debenture was to mature no later than June 30, 2019 and is secured against the property of the Corporation. In June 2019, the debenture holder extended, at no cost to the Corporation, 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 cancelled the conversion feature contained in the original debenture issued in 2016 ("Original Extending Agreement").

On remeasurement, the liability component of the debenture was recognized at its fair value based on a market interest 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.

Effective June 30, 2020, the Corporation entered into an "Amended Extending Agreement" where the maturity date of the debenture was extended for two years to August 31, 2022. The amendments included an extension fee to be payable at the maturity date equal to two percent (2%) of the principal amount outstanding, per year, a revision in the interest rate to 8% per annum, and an option to convert the principal amount of the debenture, extension fee and outstanding interest under the debenture into common shares of the Corporation at a conversion price of (i) $0.05 between June 30, 2020 and June 30, 2021; and (ii) $0.10 between July 1, 2021 and the maturity date. In addition, the amount outstanding under the debenture was partially settled on September 24, 2020 by one million dollars ($1,000,000) by issuing 25,000,000 common shares at a price of $0.04 per share.

As the terms and cash flows of the Amended Extending Agreement to the Original Extending Agreement is substantially different from the terms of the Original Extending Agreement, the amendment is considered to be a debt extinguishment. As a result of remeasurement, the liability component of the debenture was recognized at its fair value based on a market interest rate of 12.96%, with the residual of $53,591 being recorded as equity. Subsequent to June 30, 2020, the debenture is carried at amortized cost using the effective interest rate method.

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 $5,094,555 (December 31, 2019 - $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 risk-free interest rate of 0.3% - 1.32% (2019 - credit adjusted interest rate of 9%) and an inflation rate of 2% (2019 – 2%) were used to calculate the decommissioning liability. There was a revision to the decommissioning liabilities of $2,487,299, as a result of changes in estimates with an offsetting increase to property and equipment. 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:

Decommissioning Liabilities		**2020**		**2019**
Balance, beginning of year	**$**	3,046,976	$	3,488,018
Revisions to previously recorded liabilities		2,487,299		(728,567)
Additions		87,793		-
Accretion		89,051		287,525
		5,711,119		**3,046,976**
Current portion (note 14)		(330,000)		(330,000)
Balance, end of year	**$**	**5,381,119**	**$**	**2,716,976**

Net Loss

The Corporation recorded a net loss in 2020 of $1,868,455 as compared to a loss of $824,775 in 2019. The increase in the net loss reflects the effects of COVID-19 and the continued downturn in the energy sector.

Common share information

Issued – common shares

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Number of shares	**Amount ($)**	**Number of shares**	**Amount ($)**
Common Shares				
Balance, beginning of year	**149,600,768**	**131,202,046**	**149,600,768**	**131,202,046**
Issued for cash	38,771,429	1,908,000	-	-
Issued in settlement of debt	25,000,000	1,000,000	-	-
Balance, end of period	**213,372,197**	**134,110,046**	**149,600,768**	**131,202,046**

In February 2020, the Corporation completed a non-brokered private placement for aggregate gross proceeds of $1,500,000 whereby the Corporation issued an aggregate of 28,571,429 common shares at a price of $0.0525 per share.

On September 24, 2020, the Corporation issued 25,000,000 common shares at a price of $0.04 per share as a $1,000,000 partial settlement of the debenture payable,

On October 7, 2020, the Corporation completed a non-brokered private placement for cash proceeds of $408,000 whereby the Corporation issued an aggregate of 10,200,000 common shares at a price of $0.04 per share.

At the date of this MD&A, there are 218,705,529 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 one-third on the date of grant, one-third on the first and 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, 2020		**Year ended December 31, 2019**	
	#	Weighted average exercise price	#	Weighted average exercise price
Outstanding, beginning of year	**12,800,000**	**$ 0.16**	12,800,000	$ 0.16
Issued	**5,000,000**	**0.05**	-	-
Cancelled	**(3,400,000)**	**0.16**	-	-
Outstanding, end of year	**14,400,000**	**$ 0.12**	12,800,000	$ 0.16
Exercisable, end of period	**11,066,667**	**$ 0.14**	12,800,000	$ 0.16

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2020.

	Options outstanding			**Options exercisable**	
Exercise price ($)	**Number outstanding at period end**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable at period end**	**Weighted average exercise price**
$0.05	5,000,000	4.7	$0.05	1,666,667	$0.05
$0.16	9,400,000	0.6	$0.16	9,400,000	$0.16

Liquidity and capital resources

As at December 31, 2020, the Corporation had cash of $13,141 (December 31, 2019 – bank overdraft of $277,758) reflecting continued weakness in oil prices resulting in negative cash flow from operations. In recognition of these conditions, the Corporation completed two private placements of common shares in 2020 for cash proceeds of $1,908,000, has re-negotiated an extension on the maturity date of the debenture and convertible note payable and has received funding under various government programs related to COVID-19.

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.

In response to the collapse in oil prices in 2020 and the global economic instability related to COVID-19, the Corporation took additional steps to protect financial liquidity. The 2020 exploration and development plans were reduced by securing extensions of drilling operations where deadlines were involved. In addition, all discretionary drilling was suspended for the year. The Corporation also shut-in low margin production. Further steps included reducing salaries for all fulltime employees effective April 1, 2020 which remain in place.

The Corporation expects to generate funds from future operations in order to assist in funding general operations, however, the Corporation will require additional funds in order to fund the working capital deficiency and 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 in 2020.

Material Contracts, Commitments and Contingencies

Office lease

The Corporation has an office rental arrangement that requires monthly payments of $8,000 to May 31, 2021 terminable by the landlord upon 60 days written notice. Prior to May 31, 2021, the Corporation has the option to extend the arrangement or let the arrangement expire.

During the year ended December 31, 2020, the Corporation expensed $45,775 relating to operating leases (2019 - $79,815) after government assistance as described above.

Drilling commitments

The Corporation has an extension, subject to confirmation of regulatory approval, to drill five earning wells on its existing Cold Lake leases by November 30, 2022 at a cost of approximately $2,500,000.

As set out under the Bigstone Development Agreement discussed below, the Corporation was required to spud five (5) test wells and complete, cap, plug or abandon the drilled wells. If the wells were not drilled by the respective expiry dates, the lease would then terminate with respect to all unearned spacing units within the Leased Lands. The expiry dates were as follows:

- One well to be spud on or before March 31, 2020 and this well was completed prior to the due date.
- Four (4) wells to be spud by March 30, 2021 and these wells were drilled prior to the due date.

The Corporation has met their earning well commitments to date but will require further debt and/or equity financing in order to meet future capital commitments, otherwise the petroleum and natural gas leases may not be renewed.

Decommissioning obligations

Pursuant to the Inactive Well Compliance Program the Alberta Energy Regulator (the "AER") identified 22 wells in which the Corporation has a working interest that required some form of surface and/or downhole reclamation work. As a result of the Covid -19 pandemic, the AER has extended the date for compliance of the reclamation work to August 31, 2020, however, the Corporation is anticipating financial assistance for the reclamation work under the Site Rehabilitation Program which is discussed further in Subsequent Events. 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 statements of financial position at December 31, 2020 and 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 "Bigstone Development Agreement") for $250,000 with Bigstone Oil & Gas Ltd., the wholly owned energy Corporation of the Bigstone Cree Nation. This amount has been included in Exploration and Evaluation Assets on the Statements of Financial Position. The Bigstone Development 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 Bigstone Development 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 30, 2021 and a 50% working interest in the balance of the Lease.

The Corporation has commenced developing the property by drilling one earning well, constructing a new 2.2 km road and multi-well drilling pad from which up to 8 wells can be drilled as of December 31, 2020. In addition, four (4) additional wells were drilled off the pad in the first quarter of 2021.

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 December 31, 2020 and 2019, 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.

With a working capital deficiency of $1,947,948 at December 31, 2020 (2019 – $5,523,360), the Corporation will require increased production from its petroleum properties and/or the continued support of its debenture holder and additional financing in order to fund its existing financial liabilities and ongoing operating and general administrative expenses.

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 a commitment under the Bigstone Development Agreement to spud four wells in 2021 which was met by March 31, 2021. As discussed in Drilling Commitments, the Corporation is awaiting confirmation of regulatory approval to extend the expiry dates to November 30, 2022 for the drilling of five earnings wells at Cold Lake.

The Corporation will be required to secure debt and/or equity financing in order to meet their future capital commitments and working capital requirements.

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. The current bank loan is interest free until December 31, 2022 and there was no bank debt as at December 31, 2019. Therefore, 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. The Corporation does not have any derivatives in place to manage price risk.

Summary of Quarterly Results (unaudited)

Fiscal Quarter Ended - $	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Revenue	390,405	301,164	342,909	187,543
Net (loss)	(416,061)	(392,849)	(269,775)	(789,770)
Net loss per share	0.00	0.00	0.00	0.01
Fiscal Quarter Ended - $	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Revenue	636,298	743,601	985,710	747,224
Net income (loss)	(303,882)	(329,984)	119,391	(310,300)
Net loss per share	0.00	0.00	0.00	(0.01)

2020

In 2020, the Corporation was impacted by COVID-19 and the continued downturn in the energy sector. The oil prices in Q1 were significantly lower than other quarters such that some production was inventoried and sold in Q2.

2019

The quarterly net losses in 2019 were fairly consistent except for Q2 when the Corporation recorded income of $195,000 related to the non-cash fair value adjustment of the debenture payable.

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 $2,000,000 (2019 - $3,000,000) debenture issued to Kasten as part of the 2016 purchase consideration remains outstanding (note 7).

- Interest expense for the year ended December 31, 2020 related to Kasten debenture of $91,128 (2019 - $90,000) was recorded in the consolidated statement of loss and comprehensive loss. At December 31, 2020, interest payable of $405,681 remains unpaid and is included in the debenture payable on the consolidated statements of financial position (2019 - $247,500 and is included in trade and other payables). The extension fee payable of $60,000 that is also classified in the debenture payable on the consolidated statements of financial position is owing to Kasten.

- Convertible note payable #1 of $500,000 was owing to a Corporation controlled by a former director at the time of the advance. Interest expense for the year ended December 31, 2019 was $40,000 and recorded in the consolidated statement of loss and comprehensive loss. At December 31, 2019, interest payable of $44,318 is included in trade and other payables.

- Convertible note payable #2 of $1,242,122 is owing to a Corporation, related by a common director. Interest of $112,436 and the extension fee of $23,203 for the year ended December 31, 2020 (2019 - interest of $20,767 and a $10,000 structuring fee) was recorded in the consolidated statements of loss and comprehensive loss. At December 31, 2020, interest and modification payable of $135,639 is included in the convertible note payable on the consolidated statements of financial position. At December 31, 2020, interest payable of $3,945 (2019 - $20,767) is included in trade and other payables.

- In 2018, the Corporation acquired drilling inventory at fair value from a supplier in which a director held an interest. At December 31, 2020, $69,313 (2019 - $128,696) is included in trade and other payables.

- The Corporation recovered rent and other office expenses from corporations related by a common director in 2020 of $nil (2019 - $19,200).

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, 2020. The total future obligation from these operating leases is described above in the section "Material Contracts, Commitments and Contingencies".

Accounting Standards Adopted in 2020 and Future Amendments

Amendments to IFRS 3 Business Combinations

Effective January 1, 2020, the Corporation has adopted amendments defining a business from IFRS 3, Business Combinations. The amendments assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits.

Future accounting standards and pronouncements

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

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, 2020, the Corporation had a cumulative deficit of $129,567,757. 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 2019 was $738,765. 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. There is uncertainty at this time as the effect of Covid – 19 on future operations of the Company

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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Kelly Kimbley
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Officers

Kelly Kimbley
CEO and President

Robert L. Gillies
Vice-President
Finance, Secretary and
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Solicitors

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Auditors

MNP LLP