International Frontier Resources Corporation
Management's Discussion and Analysis
June 30, 2012

International Frontier Resources Corporation is engaged in the exploration for and development of oil and gas reserves in north-west Montana USA, in the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada and in south-east Alberta, Canada.

The following is management's discussion and analysis ("MD&A") of International Frontier Resources Corporation's ("International Frontier" or "IFR" or 'Frontier' or the "Corporation" or the "Company") operating and financial results for the interim period ending June 30, 2012, as well as information concerning the Company's future outlook based on currently available information. The MD&A has been prepared by management as at August 29, 2012 in accordance with IFRS and should be read in conjunction with the unaudited Condensed Interim Financial Statements and accompanying notes for the period ended June 30,2012 as well as the audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2011. This MD&A contains forward looking statements, the definitions of which are defined herein.

The interim financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors. All financial measures presented in this MD&A Report are expressed in Canadian dollars unless otherwise indicated.

Operations Review

NW Montana

A summary of the exploratory wells drilled in Glacier and Teton Counties from January 1, 2012 to August 23, 2012 is as follows:

Glacier County Operator	Well Location	Permit Date	Depth Feet	Projected Zone	Proximity IFR land	Well Direction	Status Aug 2012
Rosetta	Fort Peigan 16-13-34-8	31/1/12	9,976	Bakken	.75 miles	Horizontal	Location
Anschutz	Whitecalf 2-4-30-10	3/2/12	8,120	Sun River	.75 miles	Horizontal	Location
Anschutz	Flat Iron 1-8-32-12	21/2/12	8,900	Blackleaf	2 miles	Vertical	Drilled
Rosetta	Little Rock Coulee 27-16-35-7	28/2/12	9,185	Bakken	3 miles	Horizontal	Drilled
Anschutz	Pine Ridge 1-4-37-13	2/4/12	11,023	Potlach	1.2 miles	Vertical	Drilled
Anschutz	Mallard 1-14-33-12	17/4/12	10,500	Cretaceous	1.6 miles	Horizontal	Drilled
Rosetta	Little Rock Coulee 13-18-35-7	17/5/12	9,856	Bakken	.5 miles	Horizontal	Tested
Anschutz	Heart Butte 1-32-30-10	5/6/12	9,250	Lodgepole	2 miles	Vertical	Location
Rosetta	Tribal Gunsight 16-21-33-6	6/6/12	8,784	Bakken	1.75 miles	Horizontal	Location
Rosetta	Antelope Coulee 2-19-35-8	6/6/12	10,955	Bakken	3.5 miles	Horizontal	Location
Anschutz	Two Medicine 2-2-31-12	25/5/12	7,632	Cone	4 miles	Horizontal	Re-issued
Anschutz	Pine Ridge 3-14-37-13	25/5/12	5,463	Virgelle SS	2 miles	Horizontal	Re-issued
Rosetta	Little Rock 16-25-34-7	28/6/12	9,410	Bakken	1 mile	Horizontal	Tested
Anschutz	South Fork 1-29-34-12	9/7/12	16,140	Cretaceous	1.75 miles	Horizontal	Location
Anschutz	Whitecalf 1-4-30-11	8/6/12	7,285	Kootenai	6 miles	Vertical	Location
Expired Permits							
Newfield	Anderson 10-1H-37-10	22/8/12	12,381	Bakken	1.8 miles	Horizontal	Expired
Newfield	Land Run 1-26H-34-8	10/7/12		Bakken	2 miles	Horizontal	Expired
Completions							
Anschutz	SW Browning 1-8-32-11	15/9/12	12,551	Cone	.5 miles	Horizontal	IP 100 BOPD
Anschutz	Pine Ridge 2-26-36-13	20/10/11	13,504	Cone	2.5 miles	Horizontal	IP 410 BOPD
Teton County							
Primary	Rockport 16-19-27-6	24/5/12	9,067	Potlach	.5 miles	Horizontal	Completing
Primary	Spring Hill 14-34-27-6	24/5/12	8,216	Potlach	.75 miles	Horizontal	Completing

Source: Montana Department of Natural Resources and Conservation

Well Test Rates

Montana Blackfeet Reserve	**Operator**	**Initial Rate**	**Days**
Riverbend 12-13Hz	Rosetta	403 BOEPD	Not reported
Riverbend 7- 4Hz	Rosetta	154 BOEPD	Not reported
Simonson 34-1Hz	Rosetta	104 BOEPD	Not reported
Locations 4 and 5	Rosetta	50 – 200 BOPD	Not reported
SW Alberta			
Loc #1	Dee Three	415 BOPD	IP 30
Loc #2	DeeThree	520 BOPD	IP 30
Loc #3	DeeThree	497 BOPD	IP 30
Loc #4	DeeThree	442 BOPD	IP 30
Loc #5	Dee Three	467 BOPD	IP 30
Loc #6	Dee Three	630 BOPD	IP 8
Kainai 15-21	Murphy	350 BOPD	Not reported

Source – Jan 1, 2012 to Aug 27, 2012 corporate presentations or news releases
SW Alberta wells located within 18 miles of the Montana border

Area Activity

- Anschutz (Private) are drilling exploratory wildcat wells on the forefront of the Rocky Mountains located on the west side of the Blackfeet Reserve in Glacier County, Montana. Approximately 40% of IFR's fee acreage is located on the west side of the Reserve, the majority of which is under lease to Anschutz.

- Newfield (NFX- NYSE) year-to-date NFX has not drilled any wells on its acreage located in the central area of the Blackfeet Reserve.

- Rosetta (ROSE – NASDAQ) In Q2 ROSE completed five of seven horizontal wells and elected to suspend capital expenditures as production results were below their targeted type curve. ROSE has been exploring on the east side of the Blackfeet Reserve. Approximately 25% of IFR's fee acreage is located on the east side of the Reserve.

- Primary (PIE- TSX-V) In a news release dated August 16, 2012 PIE reported that it has completed a three-well horizontal drilling program and has scheduled completion and testing operations to commence in early September 2012. The completion program will target three specific zones, production testing will continue for 30-60 days following each completion. IFR holds fee acreage located within .5 to .75 miles of PIE's Rockport 16-19 and Spring Hill 14-34 horizontal wells that are being completed and tested.

- Dee Three (DTX – TSX) In a news release dated August 21, 2012 DTX reported results of a reserve and resource evaluation on certain of DTX's Bakken assets located in Ferguson area of SW Alberta (+/-18 miles north of the Montana border). Highlights of the Sproule Associates Limited reports include total Proved plus Probable reserves of 4.9 MMboe (95% oil) booked on the first 6-well drilling program. Best estimate of Ultimate Potentially Recoverable Oil Resource of 57.5 MMBBL of oil. For greater clarity on the reserve and resource estimates see Dee Three Exploration Ltd. Aug 21, 2012 news release filed on Sedar.

- Shell Oil – has licensed and or drilled seven wells on the west side of the Southern Alberta Basin play. The wells are located 6 – 16 miles north of the Montana border due north of the Anschutz play fairway. IFR holds fee acreage adjacent to the Montana – Alberta border that is on trend with recent wells drilled by Anschutz and Shell.

As previously reported IFR has entered into two sale and purchase agreements whereby the Company can purchase mineral titles from 10 Vendors for up to 20,000 gross acres, 17,400 net acres located in Glacier and Teton Counties, NW Montana. In Q1, 2012 IFR provided certain Vendor's with a notice of Title Defect, pursuant to the terms and conditions of the agreement the Vendors had a period of 90 days (April 28, 2012) to cure the title defect(s) affecting their fee acreage. As a result of a number of the title defects not being cured IFR has elected to remove certain lands from the purchase and sale agreements therefore the total gross and net acres will be less than 20,000 gross – 17,000 net acres. The acreage tally will be finalized in Q3, 2012 at which time closing will occur. The purchase price will be adjusted downward to reflect the total number of net mineral acres acquired at a price of $186.33 per acre.

The Company's fee acreage in Montana does not expire.

Central Mackenzie Valley ("CMV"), NWT

Husky Oil Operations Limited
In a report filed with the Mackenzie Valley Land & Water Board dated August 27, 2012 "Public Consultation & Correspondence" Husky updated local residents on the results of its Q1, 2012 drilling and seismic programs and provided a summary of its planned activities in the winter of 2012-2013. Husky reported the following;

- Drilled, evaluated and suspended two vertical wells
- Excellent whole rock core and full logging suite obtained
- Confirmed presence of hydrocarbons in Canol shales
- Completed 3-D seismic program – preliminary look suggests data quality is excellent
- Very successful start to the Exploration phase

Proposed 2012/2013 Slater River Program

- Construct all-season access into the Program area to facilitate year round operations
- Construct storage area to support future operations
- Establish composition of hydrocarbons in the Canol shale and how it varies across program area
- Short duration flow tests to obtain samples of the hydrocarbons in Little Bear N-09 and Slater River H-64 wells. Run a small 20 ton oil hydraulic fracture stimulation at N-09 to establish flow. H-64 is naturally fractured, so test without hydraulic fracture stimulation.
- The formation fluid composition will be used to determine the location of future wells
- Program subject to community, regulatory and corporate approvals

MGM Energy
In June 2012 MGM (MGX-TSX) announced that they have entered into a joint venture with Shell Canada to evaluate EL-466B. MGM reports that Shell will fund 100% of the costs to drill a well on EL-466B to earn 37.50% in the license. Shell also has an option to drill a second well on EL-466B to earn an additional 37.50%, in the event Shell drills a 2nd well they obtain operatorship and hold a 75% interest in EL-466B.

In a news release dated July 27, 2012 MGM reported that they have received a land use permit and water license from the Sahtu Land and Water Board to drill a vertical well on EL-466B in the Canol shale oil play in the winter of 2012/2013. The vertical well, East Mackay, will include logging, coring and multiple fracs to assess the potential of the Bluefish and Canol Formations.

Land Sales – Central Mackenzie Valley
In June, 2012 two exploration licenses were issued for work commitments of $92 million, one to Royal Dutch Shell PLC and the other to Shell and MGM Energy Corp. in partnership. In the last two land sales major oil and gas companies have work commitments totaling $628 million on 13 exploration licenses in the Central Mackenzie Valley region.

New unconventional drilling and fracing technology, coupled with strong oil prices, have opened new opportunities to explore the vast potential of the shale plays in the Central Mackenzie Valley.

IFR has participated in the drilling of nine exploration wells in the Central Mackenzie Valley; the drilling program resulted in three successful conventional discoveries and the issuance of three Significant Discovery Licenses. To date all exploration wells have targeted conventional hydrocarbon prospects however the Bluefish and Canol shale Formations were present in a number of the wells.

IFR holds an interest in three Significant Discovery Licenses ("SDL") and three freehold parcels, one of which is included in the Stewart SDL. The SDL lands cover 21,362 gross acres (3,430 net) and the two freehold parcels cover 28,570 gross acres (5,700 net). Freehold parcel M-39 is located within Imperial Oil EL-472 that was acquired at the June 2011 land sale for a work commitment of $21.5 million. Husky Oil Operations Limited operates the Company's SDL licenses and freehold parcels.

The Company's acreage position in the CMV does not expire.

Alderson – S.E. Alberta

The Company (100%) operates five producing oil wells and an oil battery located in the Alderson area of southeast Alberta. In Q2, 2012 production averaged 41 BOPD.

Mannyberries – S.E. Alberta

The Company holds a 100% interest in 1,120 acres; the acreage is prospective for light oil in the Sawtooth and Sunburst channel sands. The Company is seeking a partner to shot a 3D seismic survey to identify the best drilling location on the acreage.

The Company's MD&A for the period ending June 30, 2012 is as follows.

Liquidity, capital resources and financing activities

Working Capital

At June 30, 2012, cash and cash equivalents were $3,681,510 (March 31, 2012 - $3,991,000, December 31, 2011 $4,037,930) and working capital was $2,926,350 (March 31, 2012 - $3,014,555, December 31, 2011 - $3,065,520).

Future Capital Requirements

The Corporation regularly forecasts its capital needs on an annual, quarterly and monthly basis. The Corporation's current internally generated cash flows do not provide sufficient capital for the Corporation's current exploration plans. Historically, the Corporation has relied on proceeds from the sale of its Common Shares to fund its operations. In order to accelerate the Corporation's current exploration programs the Corporation may require additional capital. The timing, pace, scope and amount of the Corporation's capital expenditures is largely dependent on the operators capital expenditure program(s) and the availability of capital to the Corporation.

The Corporation may obtain funds for future capital investments from strategic alliances with other energy or financial partners, the issuance of additional Common Shares, preferred shares or debt securities, project financing, sale of property interests, or other arrangements, all of which may dilute the interest of the Corporation's existing shareholders or the Corporation's interest in the specific project financed. The Corporation may change the allocation of capital among the categories of anticipated expenditures depending upon future events that the Corporation cannot predict. For example, the Corporation may change the allocation of its expenditures based on the actual results and costs of future exploration, appraisal, development, production, property acquisition and other activities. In addition, the Corporation may have to change its anticipated expenditures if costs of placing any particular discovery into production are higher, if the field is smaller or if the commencement of production takes longer than expected.

In the management of capital, the Company includes certain working capital balance - cash and cash equivalents, marketable securities and restricted cash less accounts payable and current portion asset retirement obligations in the definition of capital. Management reviews its capital requirements on an on-going basis and believes that its approach, given the relative size of the Company is reasonable. As at June 30, 2012, the Company's capital as defined above was approximately $2,726,880 (March 31, 2012 - $2,861,650, December 31, 2011 – $2,925,055).

The Corporation has a number of options available to it if existing working capital does not cover future capital expenditures including, but not limited to, i) revising its capital expenditure plans ii) selling a partial or 100% interest in a property to a third party, iii) obtain joint venture financing from a third party, 1v) leasing the Company's fee mineral acreage in NW Montana to third parties v) obtaining debt financing, or a combination of these possible steps.

Summary of Second Quarter Results

Selected financial information:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Statement of operations				
Sales volumes - BOE/ day (Canada)	39	34	40	30
Production volumes - BOE/ day (Canada)	41	35	41	31
Oil revenues, net (Canada)	$ 184,450	$ 182,115	$ 406,710	$ 304,780
Interest income from continuing operations	$ 6,980	$ 4,725	$ 14,570	$ 18,100
Net loss and comprehensive loss	$ (62,165)	$ (213,150)	$ (115,840)	$ (346,105)
Net loss per share				
Net loss per share	$ (0.001)	$ (0.004)	$ (0.002)	$ (0.006)
Cash flow				
Net cash provided (used in)				
Operating activities	$ (100,395)	$ (179,725)	$ (128,350)	$ (366,950)
Investing activities	$ (209,095)	$ (76,675)	$ (228,070)	$ (460,100)
Balance sheet	June 30, 2012	December 31, 2011	June 30, 2011	
Exploration and evaluation assets	$ 9,864,790	$ 9,814,875	$ 6,850,175	
Property and equipment	$ 1,078,370	$ 1,109,615	$ 948,975	
Total assets	$ 15,074,790	$ 15,727,840	$ 14,543,495	
Working capital	$ 2,926,350	$ 3,065,520	$ 5,901,525	
Investing Activities				
For the three months ended	June 30, 2012	December 31, 2011	June 30, 2011	
Canada	$ 53,175	$ 407,710	$ 65,210	
United States	$ 19,725	$ 1,122,505	$ -	
	$ 72,900	$ 1,530,215	$ 65,210	

Summary of Alderson Operations

	Three months ended			Six months ended	
	June 30, 2012	**March 31, 2012**	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Sales volumes (Bbl/day)	39	40	34	40	30
Production volumes (Bbl/day)	41	40	35	41	31
Oil Sales	$ 245,575	$ 293,020	$ 242,315	$ 538,595	$ 406,810
Royalties	61,125	70,760	60,200	131,885	102,030
Net Revenues	184,450	222,260	182,115	406,710	304,780
Operating expenses	114,035	102,090	116,025	216,125	225,975
Net Income	$ 70,415	$ 120,170	$ 66,090	$ 190,585	$ 78,805
Oil Sales ($/BBL)	$ 68.50	$ 79.80	$ 79.34	$ 74.22	$ 75.66
Operating costs ($/BBL)	$ 31.81	$ 27.80	$ 37.99	$ 29.78	$ 42.03
Depletion per BOE	$ 10.79	$ 11.13	$ 10.42	$ 10.95	$ 10.42

- Sales volumes for the three months ended June 30, 2012 were 39 Bbl/day which is consistent as compared to 40 Bbl/day for the three months ended March 31, 2012 (Q2, 2011 – 34 Bbl/day)
- Oil revenue in Q2, 2012 was $245,575 a decrease of 16.19% or $47,445 as compared to Q1, 2012 due to a 14.16% decrease in oil price received in the second quarter.
- In Q2, 2012 the Company paid royalties of $70,760 an increase of $9,635 or 13.62% as compared to $61,125 in the previous quarter
- Operating expenses in the second quarter of 2012 were $114,035 or $31.81 per Bbl an increase of $11,945 or 11.70% as compared to Q1, 2012 (Q2, 2011 - $116,025)

Interest income

- In Q2, 2012 interest income from short term investments was $6,980 (Q1, 2012 - $7,590, Q2, 2011 - $4,725) the decrease in interest in 2012 is due to an decrease in the amount invested at June 30, 2012.

Accretion of asset retirement obligation

- Accretion of asset retirement obligations for the three months ended June 30, 2012 was $3,690 (Q1, 2012 - $4,050, Q2, 2011 - $6,575)

Depletion, depreciation and impairments

For the three months ended:	**June 30, 2012**	**March 31, 2012**	**June 30, 2011**
Depletion of oil and gas properties	$ 40,360	$ 40,750	$ 33,535
Amortization of Alderson Battery	2,495	2,495	-
Impairment of oil and gas properties	-	11,900	-
Depreciation of equipment	325	505	805
	43,180	$ 55,650	$ 34,340

- Depletion of oil and gas properties for the three months ended June 30, 2012 was $40,360 or $10.79 per Bbl which is consistent with $40,750 or $11.13 per Bbl in Q1 - 2012 (Q2 -2011 $33,535 or $10.42 per Bbl)
- At June 30, 2012 an impairment test was performed which calculates the amount by which the carrying amount of capitalized costs related to producing properties exceeds the fair value of the reserves as estimated by the Company's reservoir engineers at December 31,

2011. As a result there was no impairment of oil and gas properties recorded in Q2, 2012 (Q1 2012 - $11,900, Q2, 2011- $Nil)

- The carrying value of exploration and evaluation properties of $9,864,560 at June 30, 2012 (June 30, 2011 - $6,850,170, December 31, 2011 - $9,814,875) have been evaluated at June 30, 2012 and it was determined that no costs had met the requirements to be transferred to property and equipment. These costs were also evaluated for impairment and it was determined that no impairment existed for the period ended June 30, 2012.

General and administrative expenses

Three months ended:	June 30, 2012	March 31, 2012	June 30, 2011
Investor relations	$ 8,990	$ 5,055	$ 18,260
Filing and transfer fees	6,795	6,650	7,565
Professional fees	10,095	1,400	50,230
Consulting fees and salaries	53,605	56,095	63,960
Rent and corporate costs	36,365	37,485	36,965
	$ 115,850	$ 106,685	$ 176,980

- In Q2, 2012 general and administrative expenses were $115,850, which is consistent with the first quarter of 2012.
- The decrease in G&A as compared to Q2, 2011 is due to lower consulting and professional fees in Q2, 2012.

Net loss

Three months ended:	Q-2 2012	Q-1 2012	Q-2 2011
Net loss from continuing operations	$ (62,165)	$ (53,675)	$ (213,150)
Loss per share			
Loss per share	$ (0.001)	$ (0.001)	$ (0.004)

The decreased loss in Q1 and Q2, 2012 as compared with Q2, 2011 is the result of decreased general and administrative costs and stock based compensation costs in 2012.

Summary of Quarterly Results

The following table summarized the Company's financial and operating highlights for the past eight quarters:

Quarter ended:	Sept 30, 2010	Dec 31, 2010	Mar 31, 2011	June 30, 2011
Statement of operations				
Sales volumes - BOE/ day (Canada)	26	29	26	34
Production volumes - BOE/ day (Canada)	31	26	27	35
Oil revenues, net (Canada)	$ 111,445	$ 145,940	$ 122,665	$ 182,115
Net earnings (loss) and comprehensive loss				
Net earnings (loss) from continuing operations	$ (76,380)	$ (3,483,475)	$ (132,955)	$ (213,150)
Net loss for discontinued operations	$ -	$ (1,185)	$ -	$ -
Net earnings (loss) and comprehensive loss	$ (76,380)	$ (3,484,660)	$ (132,955)	$ (213,150)
Net earnings(loss) per share				
Net loss per share	$ (0.001)	$ (0.06)	$ (0.002)	$ (0.004)
Balance Sheet				
Total assets	$18,109,400	$17,945,340	$ 14,985,285	$ 14,543,495
Working capital	$ 7,294,650	$ 7,170,570	$ 6,124,775	$ 5,901,525
Refundable Deposits	$ 640,670	$ 640,670	$ 640,670	$ 374,305
Funds flow from operations	$ (436,890)	$ (77,830)	$ (187,105)	$ (179,725)

Quarter ended:	Sept 30, 2011	Dec. 31, 2011	March 31, 2012	June 30, 2012
Statement of operations				
Sales volumes - BOE/ day (Canada)	48	39	40	39
Production volumes - BOE/ day (Canada)	44	41	40	41
Oil revenues, net (Canada)	$ 242,630	$ 223,440	$ 222,260	$ 184,450
Net earnings (loss) and comprehensive loss	$ (29,550)	$ (297,685)	$ (53,675)	$ (62,165)
Net earnings(loss) per share				
Net loss per share	$ (0.001)	$ (0.005)	$ (0.004)	$ (0.001)
Balance Sheet				
Total assets	$14,462,870	$15,727,840	$ 15,625,940	$ 15,074,790
Working capital	$ 4,375,000	$ 3,065,520	$ 3,014,555	$ 2,926,350
Refundable Deposits	$ 374,305	$ 374,305	$ 305,555	$ -
Funds flow from operations	$ (1,820)	$ 139,310	$ (27,955)	$ (100,395)

Financial Instruments

As disclosed in Note 14 to the unaudited condensed consolidated interim financial statements at June 30, 2012, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, foreign exchange risk, fair value risk and industry credit risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

a) Fair value of financial assets and liabilities: The Company's financial instruments as at June 30, 2012 include cash and cash equivalents, trade accounts receivable, restricted cash and trade accounts payable. The fair values of trade accounts receivable and trade accounts payable approximate their carrying amounts due to their short terms to maturity. The cash and cash equivalents and the restricted cash balances are equal to their fair values.

	June 30, 2012		December 31, 2011	
	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Financial assets:				
Receivables	$ 81,040	$ 81,040	$ 118,830	$ 118,830
Total financial assets	$ 81,040	$ 81,040	$ 118,830	$ 118,830
Financial liabilities				
Payables and accruals	$ 943,280	$ 943,280	$ 1,473,195	$ 1,473,195
Total financial liabilities	$ 943,280	$ 943,280	$ 1,473,195	$ 1,473,195

The Company classifies the fair value of financial instruments held for trading according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At June 30, 2012 cash and cash equivalents and restricted cash have been classified as Level 1.

b) **Credit risk:** Substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Though, the Company markets its oil to only one marketer revenues are not significant so that the exposure to the Company is minimized. Management does not believe that there is significant credit risk arising from any of the Company's customers or partners, as substantially all amounts outstanding at June 30, 2012 have been received subsequent to period end. The maximum exposure to loss arising from accounts receivable at any given time is equal to their total carrying amounts on the balance sheet.

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 81,040	$ 80,82	$ 955	$ -	$ -

c) **Interest rate risk:** The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company's interest rate price risk. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations. A 1% increase or decrease in interest rates would have had no material impact on the cash flow of the Company during the period ended June 30, 2012.

d) **Foreign currency risk:** The Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates, primarily between Canadian and U.S. dollars. The Corporation does not utilize any foreign currency based derivatives. In order to manage this risk and to defer the realization of any resulting currency loss from converting Canadian dollars to US dollars, the Corporation retains cash balances in both US and Canadian dollars.

e) **Liquidity risk:** Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. At June 30, 2012, the Company's accounts payable and accrued liabilities were $943,280 all of which are due for payment within normal terms of trade which is generally between 30 and 60 days. The Company regularly reviews its accounts payable balances and follows up on amounts past due. The Company's financial liabilities are summarized below:

Total payables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 943,280	$ 59,415	$ 27,880	$ -	$ 855,985

Investing Activities

Exploration and evaluation assets

For the three months ended	June 30, 2012	March 31, 2012	June 30, 2011
Canada	$ 28,345	$ -	$ 53,560
United States	19,725	1,845	11,650
	$ 48,070	$ 1,845	$ 65,210

- Capital expenditures in Q2, 2012 were $48,070 (Q1, 2012 - $1,845, Q2, 2011 - $65,210) of which $28,345 or 59% (Q1, 2012 – 0%, Q2, 2011 – 82%) is related to activities in Canada and $19,725 or 41% (Q1, 2012 – 100%, Q2, 2011 – 18%) is related to the costs to acquire mineral titles in Northwest Montana, USA.

Property and equipment

- During the second quarter of 2012 the Company incurred $24,830 (Q1, 2012 - $55,145, Q2, 2011 - $nil) with respect to costs related to the Company's oil battery at Alderson. Alberta.

Obligations

- The Company is party to an agreement to lease its premises until December 31, 2014. The annual rent of premises consists of a minimum rent payment of $43,120 plus occupancy cost per year for 2012 to 2014.
- The Company has established a Royalty Incentive Agreement for employees, consultants and senior executives that are also directors. Under the plan, the compensation committee issues units on an annual basis to employees, consultants and directors. The units entitle the holder to receive an annual payment based on 2% of the Company's annual production revenue, net of transportation and processing fees. Under the terms of the agreement, once the Company has recovered payout of 100% of its cumulative annual capital expenditures from licenses and lands owned by the Company, the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees. At June 30, 2012, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson oil property and subsequent payments are calculated at 4% of the Company's annual production revenue less transportation and processing fees.

Related Party Transactions

Certain officers who are directors and consultants provide professional, consulting and management services to the Company and are eligible to receive royalties pursuant to the Company's Royalty Incentive Plan. The amounts paid to officers (directors) and consultants during for the period ending June 30, 2012 are provided below, these costs are included in general and administrative expenses on the condensed statements of operations and comprehensive loss at June 30, 2012:

- Compensation paid to executive officers was $62,500 (June 30, 2011 - $62,500) in salaries and $46,550 (June 30, 2011 - $39,000) in consulting fees.
- At June 30, 2012 royalties of $21,125 (June 30, 2011 - $15,655) were paid to officers and consultants pursuant to the Company's Royalty Incentive Plan.

Other Items

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	June 30, 2012	August 29, 2012
Common shares outstanding	59,578,965	59,578,965
Options outstanding	5,181,500	5,181,500
Fully diluted	64,760,465	64,760,465

Additional details on the shares, options and warrants outstanding at June 30, 2012 are available in the Notes to the June 30, 2012 condensed interim financial statements.

Recent accounting pronouncements

The IASB issued the following standards and amendments which are not yet effective for the Company and discussed in further detail in Note 4 to the Condensed Interim Financial Statements at June 30, 2012. The IASB did not issue any standards, interpretations or amendments during the second quarter of 2012.

- Amendments to IFRS 7, "Financial Instruments: Disclosures"
- Amendments to IAS 32, "Financial Instruments: Presentation"
- IFRS 9, "Financial Instruments,"
- IFRS 10 Consolidated Financial Statement,
- IFRS 11 Joint Arrangements,
- IFRS 12 Disclosures of Interests in Other Entities,
- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 28 Investments in Associates and Joint Ventures.
- IFRS 13, "Fair Value Measurement
- Amendments to IAS 19, "Employee Benefits,"

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of Canadian generally accepted accounting principles that have a significant impact on the financial results of the Company. Reserve estimates are a key component in the calculation of depletion, depreciation and accretion costs. A change in reserve quantity estimates will result in a corresponding change in DD&A costs. In addition, if capitalized costs are determined to be in excess of the calculated ceiling, which is based on reserve quantities and values, the excess must be written off as an expense. Asset retirement costs are estimated, discounted and carried on the balance sheet as a liability. A change in estimated future asset restoration costs will change the liability on the balance sheet and the amortization of the asset retirement costs included in property and equipment.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "strategy" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such 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 MD&A should not be unduly relied upon. These statements are made only as of the date of this MD&A.
In particular, this MD&A may contain forward-looking statements including, but not limited to, the following:

- oil and natural gas production rates;
- commodity prices for crude oil or natural gas;
- supply and demand for oil and natural gas;
- the estimated quantity of oil and natural gas reserves, including reserve life;
- capital expenditure programs;
- future exploration, development and production costs;
- timing of drilling plans;
- plans for and results of exploration and development activities;
- expectations regarding the Corporation's ability to raise capital and to continually add to oil and natural gas reserves through acquisitions, exploration and development; and
- treatment under governmental regulatory regimes and tax laws.
- Third party drilling programs and well status reports.

With respect to forward-looking statements contained in this MD&A and other documents of public record, the Corporation has made assumptions regarding, among other things:

- future oil and natural gas production levels from IFR's properties and the prices obtained from the sales of such production;
- the level of future capital expenditure required to exploit and develop reserves; and
- the Company's ability to obtain financing on acceptable terms, as required.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of assumptions proving inaccurate and of both known and unknown risks as set forth below:

- general economic, political, market and business conditions;
- risks inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, capital, acquisitions of reserves, undeveloped lands, drilling equipment and skilled personnel;
- geological, technical, drilling and processing problems;
- incorrect assessments of the value of acquisitions;
- the availability of capital on acceptable terms;
- volatility in market prices for oil and natural gas;
- actions by governmental authorities, including regulatory, environmental and taxation policies; and
- fluctuations in foreign exchange or interest rates and stock market volatility
- ability to raise project finance capital from chartered banks

Other information

Additional information regarding International Frontier Corporation's reserves and other data is available on SEDAR at www.sedar.com