International Frontier Resources Corporation
Management's Discussion and Analysis
September 30, 2013

International Frontier Resources Corporation is an independent Canadian public company, the principle business of which is to acquire, develop, exploit and produce oil and natural gas in the Central Mackenzie Valley, Northwest Territories, Canada, northwest Montana USA and in south east Alberta.

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 period ending September 30, 2013, 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 September 30, 2013 in accordance with IFRS and should be read in conjunction with the audited financial statements as at December 31, 2012 together with accompanying notes, the Statement of Reserves Data and Other Oil and Gas Information contained in the Company's annual 51-101 dated December 31, 2012. This MD&A contains forward-looking statements, the definitions of which are defined herein.

The quarterly 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 indicate.

Third Quarter and year-to-date

A summary of the third quarter and year-to-date ending September 30, 2013 is as follows.

- In the third quarter revenue after royalties was $235,525, year to date revenue after royalties is $592,040.

- In the third quarter the Company incurred a net loss of $29,025 (Sept 30, 2012 $136,755) and a year to date a loss of $98,895 has been recorded versus a loss of $252,595 at September 30, 2012.

- On a cash basis, excluding depletion and depreciation and other non-cash items, the Company generated positive cash flow of $11,965 in the third quarter, year to date cash flow before non-cash items is positive $30,465 versus negative $115,125 at September 30, 2012.

- On October 31, 2013 the Minister of Indian and Northern Development Canada awarded IFR Exploration License 495 ("EL-495") for a minimum work program of $1,200,000. Under the terms of the license, IFR was required to lodge a $300,000 work deposit that is refundable if $1,200,000 of qualified expenditures are incurred. The effective date of the license is March 16, 2014 and it expires on March 16, 2019, the license covers an area of 163,124 acres. With the license award the Company increased its acreage position in the Central Mackenzie Valley ("CMV") to 224,364 gross acres, and 175,574 net acres from 60,920 gross acres, and 11,500 net acres.

- **CMV Conventional Plays:** EL-495 is located due south of our Stewart Lake Significant Discovery License. Interpretation of aero-mag and 2D seismic on the license has identified two Cretaceous prospects that look similar to our Stewart Lake Cretaceous discovery and a Devonian prospect that also looks similar to our Summit Creek Devonian gas-condensate discovery.

- **CMV Un-conventional Play:** EL-495 is also prospective in the emerging un-conventional Canol shale play. The license is located in the southwest corner of the Devonian shale basin. In previous exploration programs in the area IFR participated in two wells that offset EL-495, both wells were drilled through the Canol shale formation. The northern offset well, Stewart D-57, encountered 100 meters (332 feet) of Canol shale and the southern offset well, Dahadinni B-20, encountered 175 meters (560 feet) of Canol shale. Both wells were drilled before horizontal drilling and multi-stage-fraccing technology was developed.

- **CMV Activity 2014:** This winter ConocoPhillips Canada will be drilling two horizontal-multi-stage-fracced wells on EL-470, they will be the first horizontal fracture stimulated wells drilled on the Canol shale play fairway. Husky Oil recently received approval to complete their all-weather access roads, increase the size of their air landing strip and to expand their camp size from 200 to 400 men. Husky is waiting on approval to drill two vertical wells next summer 2014.

- **Future CMV Activity:** There have been 14 licenses issued in the last three annual land sales, if all the work programs bid at the land sales were fulfilled capital expenditures in the area would exceed $628 million. The majority of the licenses were awarded to major E & P companies that include, ConocoPhillips Canada ($66 MM), Husky Oil ($376 MM), Imperial/Exxon ($42.5 MM), MGM Energy ($11.45 MM) and Shell Canada ($132 MM). To market production from the area oil and gas pipelines are required and on 11 March 2011, the Mackenzie Valley pipeline was granted federal cabinet approval.

- **Corporate:** In November the Company announced that Steve Hanson joined the Company as President and Director.

Liquidity, capital resources and financing activities

Working Capital

At September 30, 2013 cash and cash equivalents were $3,032,475 (June 30, 2013 - $3,067,225, December 31, 2012 - $3,456,380) and working capital was $2,924,675 (June 30, 2013 - $2,939,080, December 31, 2012 - $3,018,180). The decrease in working capital at September 30, 2013 is the result of capital expenditures of $102,000 in the CMV for annual lease rentals and $163,100 to complete the acquisition of Freehold Mineral Titles in NW Montana.

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 September 30, 2013, the Company's capital as defined above was approximately $2,698,395 (June 30, 2013 - $2,754,020, December 31, 2012 – $2,921,040).

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, v) issuing new shares iv) obtaining debt financing, or a combination of these possible steps.

Summary of Second Quarter Results

Selected financial information:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Statement of operations				
Sales volumes - BOE/ day (Canada)	38	33	38	38
Production volumes - BOE/ day (Canada)	38	32	38	38
Oil revenues, net (Canada)	$ 235,525	$ 155,750	$ 592,040	$ 562,460
Interest income from continuing operations	$ 5,510	$ 3,220	$ 18,605	$ 17,790
Net loss and comprehensive loss	$ (29,025)	$ (136,755)	$ (98,895)	$ (252,595)
Net loss per share				
Net loss per share	$ (0.000)	$ (0.002)	$ (0.002)	$ (0.004)
Cash flow				
Net cash provided (used in)				
Operating activities	$ (1,820)	$ (59,385)	$ (153,230)	$ (187,735)
Investing activities	$ (32,930)	$ (68,695)	$ (270,675)	$ (296,765)

	September 30, 2013	December 31, 2012	September 30, 2012
Balance sheet			
Assets of Continuing operations			
Exploration and evaluation assets	$ 9,491,495	$ 9,374,950	$ 9,919,600
Property and equipment	$ 991,890	$ 1,101,270	$ 1,056,925
Total assets	$ 13,996,580	$ 14,282,915	$ 14,916,380
Working capital	$ 2,924,675	$ 3,018,180	$ 2,775,875
Investing Activities			
For the three months ended			
Canada	$ 32,930	$ 25,530	$ 52,670
United States	$ -	$ 37,340	$ 4,085
	$ 32,930	$ 62,870	$ 56,755

Summary of Alderson Operations

	Three months ended			Nine months ended	
	September 30, 2013	June 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Sales volumes (Bbl/day)	38	37	33	38	38
Production volumes (Bbl/day)	38	36	32	38	38
Oil Sales	$ 309,830	$ 248,055	$ 202,930	$ 775,660	$ 741,525
Royalties	74,305	58,460	47,180	183,620	179,065
Net Revenues	235,525	189,595	155,750	592,040	562,460
Operating expenses	116,225	101,490	119,835	299,220	335,960
Net Income	$ 119,300	$ 88,105	$ 35,915	$ 292,820	$ 226,500
Oil Sales ($/BBL)	$ 89.21	$ 73.52	$ 66.82	$ 74.28	$ 72.03
Operating costs ($/BBL)	$ 33.46	$ 30.88	$ 40.54	$ 28.65	$ 32.43
Depletion per BOE	$ 11.14	$ 11.14	$ 11.15	$ 11.09	$ 11.01

- Sales volumes in Q3, 2013 were 38 Bbl/day, a 2.70% increase as compared to 37 Bbl/day for the three months ended June 30, 2013 (Q3, 2012 – 33 Bbl/day).
- Oil revenue in Q3, 2013 was $309,830 an increase of 24.90% or $61,775 as compared to Q2, 2013 due to a 21.34% increase in oil price received
- In Q3, 2013 the Company paid royalties of $74,305 an increase of $15,845 or 27.10% as compared to $58,460 in the previous quarter.
- Operating expenses in the third quarter of 2013 were $116,225 or $33.46 per Bbl an increase of $14,735 or 14.52% as compared to Q2, 2013 (Q3, 2012 - $119,835).
- Higher operating costs in Q3, 2013 were due to work-over costs incurred in the Alderson Field.

Interest income

- In Q2, 2013 interest income from short-term investments was $5,510 (Q2, 2013 - $6,680, Q3, 2012 - $6,980).

Accretion of asset retirement obligation

- Accretion of asset retirement obligations in Q3, 2013 was $5,4525 (Q2, 2013 - $4,415, Q3, 2012 - $3,570).

Depletion, depreciation and impairments

For the three months ended:	September 30, 2013	June 30, 2013	September 30, 2012
Depletion of oil and gas properties	$ 39,370	$ 36,785	$ 32,960
Amortization of Alderson Battery	2,495	2,495	2,395
Depreciation of equipment	245	265	425
	$ 42,110	$ 39,545	$ 35,780

- Depletion of oil and gas properties in Q3, 2013 was $39,370 or $11.14 per Bbl, which is consistent to $36,785, or $11.14 per Bbl in Q2 - 2013. (Q3 -2012 $32,960 or $11.15 per Bbl).
- At September 30, 2013 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, 2012. As a result there was a $Nil impairment recorded in Q3, 2013 (Q2, 2013 - $Nil, Q3, 2012- $Nil)
- The carrying value of exploration and evaluation assets at September 30, 2013 have been evaluated 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 September 30, 2013.

General and administrative expenses

Three months ended:	September 30, 2013	June 30, 2013	September 30, 2012
Investor relations	$ 5,855	$ 8,520	$ 6,945
Filing and transfer fees	775	7,130	900
Professional fees	1,050	10,180	1,050
Consulting fees	47,875	55,125	56,325
Rent and office costs	29,395	41,640	33,265
	$ 84,950	$ 122,595	$ 98,485

- Total general and administration expenses in the three months ended September 30, 2013 were $84,950 a 30.70% decrease as compared to the previous quarter. Increased costs in Q2, 2013 are attributed to expenses incurred with respect to the Company's annual general meeting.

Net loss

Three months ended:	Q-3 2013	Q-2 2013	Q-3 2012
Net loss from continuing operations	$ (29,025)	$ (38,335)	$ (136,755)
Loss per share			
Loss per share	$ (0.00)	$ (0.001)	$ (0.002)

- The net loss in Q3, 2013 was $29,025, which is consistent with the previous quarter and in line with the Company's budget.

Summary of Quarterly Results

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

Quarter ended:	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept 30, 2012
Statement of operations				
Sales volumes - BOE/ day (Canada)	39	40	39	33
Production volumes - BOE/ day (Canada)	41	40	41	32
Oil revenues, net (Canada)	$ 223,440	$ 222,260	$ 184,450	$ 155,750
Net earnings (loss) and comprehensive loss	$ (297,685)	$ (53,675)	$ (62,165)	$ (136,755)
Net earnings (loss) per share				
Net loss per share	$ (0.005)	$ (0.001)	$ (0.001)	$ (0.002)
Balance Sheet				
Total assets	$ 15,727,840	$ 15,625,940	$ 15,074,790	$ 14,916,380
Working capital	$ 3,065,520	$ 3,014,555	$ 2,926,350	$ 2,775,875
Refundable Deposits	$ 374,305	$ 305,555	$ -	$ -
Funds flow from operations	$ 139,525	$ (27,955)	$ (100,395)	$ (59,385)

Quarter ended:	Dec. 31. 2012	March 31, 2013	June 30, 2013	September 30, 2013
Statement of operations				
Sales volumes - BOE/ day (Canada)	41	40	37	38
Production volumes - BOE/ day (Canada)	40	39	36	38
Oil revenues, net (Canada)	$ 189,930	$ 166,920	$ 189,595	$ 235,525
Net earnings (loss) and comprehensive loss	$ (302,905)	$ (31,535)	$ (38,335)	$ (29,025)
Net earnings(loss) per share				
Net loss per share	$ (0.005)	$ (0.001)	$ (0.001)	$ (0.000)
Balance Sheet				
Total assets	$ 14,282,915	$ 14,084,895	$ 13,999,290	$ 13,996,580
Working capital	$ 3,018,180	$ 2,998,075	$ 2,939,080	$ 2,924,675
Refundable Deposits	$ -	$ -	$ -	$ -
Funds flow from operations	$ (315,130)	$ (68,430)	$ (82,980)	$ (1,820)

Financial Instruments

As disclosed in Note 3 to the unaudited condensed interim financial statements at September 30, 2013 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 September 30, 2013 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.

	September 30, 2013		Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 97,790	$ 97,790	$ -	$ 97,790
Deposits	254,440	254,440	-	254,440
Held for trading				
Cash and cash equivalents	3,032,475	3,032,475	3,032,475	-
	$ 3,384,705	$ 3,384,705	$ 3,032,475	$ 352,230
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 330,340	$ 330,340	$ -	$ 330,340
Total financial liabilities	$ 330,340	$ 330,340	$ -	$ 330,340

	December 31, 2012		Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 83,095	$ 83,095	$ -	$ 83,095
Deposits	253,175	253,175	-	253,175
Held for trading				
Cash and cash equivalents	3,456,380	3,456,380	3,456,380	-
	$ 3,792,650	$ 3,792,650	$ 3,456,380	$ 336,270
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 523,700	$ 523,700	$ -	$ 523,700
Total financial liabilities	$ 523,700	$ 523,700	$ -	$ 523,700

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 September 30, 2013 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 September 30, 2013 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
$ 97,790	$ 94,585	$ 3,205	$ -	$ -

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 September 30, 2013.

d) **Foreign currency risk:** The Company is exposed to risks arising from fluctuations in foreign currency exchange rates, primarily between Canadian and U.S. dollars. The Company 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 Company 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 September 30, 2013 the Company's accounts payable and accrued liabilities were $330,340 most 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
$ 330,340	$ 58,645	$ 5,755	$ -	$ 265,940

Investing Activities

Exploration and evaluation assets

For the three months ended	September 30, 2013	June 30, 2013	September 30, 2012
Canada	$ 30,430	$ 52,350	$ 50,725
United States	-	11,610	4,085
	$ 30,430	$ 63,960	$ 54,810

- Capital expenditures in Q3, 2013 were $30,430 (Q2, 2013 - $63,960, Q3, 2012 - $54,810) of which 100% (Q2, 2013 – 82%, Q3, 2012 – 82%) is related to activities in Canada and $Nil 0% (Q2, 2013 – 18%, Q3, 2012 – 18%) is related to the costs to acquire mineral titles in Northwest Montana, USA.

Property and equipment

- In Q3, 2013 the Company incurred $2,500 (Q2, 2013 - $11,610, Q3, 2012 - $4,085) in costs on the Alderson oil battery.

Obligations

- The Company is party to an agreement to lease its premises until October 31, 2016. The annual rent of premises consists of a minimum rent plus occupancy costs. Minimum rent payable for premises until the end of the lease is:

2013	$ 4,550
2014	$ 29,460
2015	$ 30,525
2016	$ 25,440

- 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 September 30, 2013, 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, 2013 are provided below, these costs are included in general and administrative expenses on the condensed statements of operations and comprehensive loss at September 30, 2013:

- Compensation paid to executive officers was $93,750 (September 30, 2012 - $93,750) in salaries and $69,820 (September 30, 2012 - $69,820) in consulting fees.
- At September 30, 2013 royalties of $30,320 (September 30, 2012 - $29,060) were paid to officers, directors and consultants pursuant to the Company's Royalty Incentive Plan.
- During 2013 the Company paid professional geological and geophysical consulting fees of $20,475 (December 31, 2012 – $Nil) to a Company in which a director of the company is affiliated. These amounts have been capitalized to Exploration and evaluation assets and Property and equipment on the Company's Balance Sheet.

Other Items

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	September 30, 2013	November 21, 2013
Common shares outstanding	59,578,965	63,578,965
Options outstanding	5,181,500	5,956,500
Fully diluted	64,760,465	69,535,465

Additional details on the shares, options and warrants outstanding at June 30, 2013 are available in the Notes to the September 30, 2013 condensed interim financial statements.

Changes in accounting policies

Effective January 1, 2013, the Company has adopted the following new IFRS standards and amendments.

1. Presentation of Financial Statements

The Company has applied the amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The amendments require items within OCI to be grouped into two categories: (1) items that will not be subsequently reclassified to profit or loss or (2) items that may be subsequently reclassified to profit or loss when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in OCI has been modified. The application of the amendment to IAS 1 did not result in any adjustments to other comprehensive income or comprehensive income.

2. Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 "Financial Instruments: Disclosures" develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements. The adoption of these amendments does not have any impact to the Company's financial statements, other than increasing the level of annual disclosures.

3. Reporting Entity

- IFRS 10, "Consolidated Financial Statements", replaces the consolidation requirements in SIC-12, "Consolidation – Special Purpose Entities" and a portion of IAS 27. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. The retrospective application of this standard does not have any impact on the Company's financial statements.
- IFRS 11, "Joint Arrangements", focuses on the rights and obligations of the joint arrangement, rather than its legal form and requires joint arrangements to be classified either as joint operations or joint ventures. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. To account for interest in its jointly controlled entity Sidox Chemicals Canada Ltd., the equity method is used. The retrospective application of this standard does not have any impact on the Company's financial statements.
- IFRS 12, "Disclosure of Interest in Other Entities", is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structure entities and other off balance sheet interests. The retrospective application of this standard does not have any impact on the Company's financial statements.

4. Fair Value Measurements

IFRS 13, "Fair Value Measurement", provides a consistent definition of fair value, establishes a single framework for determining fair value and introduces requirements for disclosures related to fair value measurement. The measurement of the fair value is based on assumptions that market participants would use when pricing the asset or liability under current market conditions including assumptions about risks. The prospective adoption of this standard does not have any impact on the Company's financial statements, other than increasing the level of disclosures provided in Note 14, Financial Instruments.

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, 2013 The IASB did not issue any standards, interpretations or amendments during the second quarter of 2013.

1. Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation" to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective for the Company on January 1, 2013 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective for the Company on January 1, 2014 with required retrospective application and early adoption permitted. The Company intends to retrospectively adopt the IFRS 7 amendments on January 1, 2013 and the IAS 32 amendments on January 1, 2014. The adoption of these amended standards is not expected to have a material impact on the Company's financial statements.

2. Financial Instruments: Recognition and Measurement

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*. It contained requirements for the classification and measurement of financial assets, and was updated in October 2010 to incorporate financial liabilities. The standard is applicable for annual periods starting on or after January 1, 2015.

3. Impairment of assets

In May 2013, the IASB released an amendment to IAS 36, "Impairment of Assets". This amendment requires entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU"). The amendment is effective January 1, 2014. Early adoption is permitted.

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