



International Frontier Resources Corporation
Management Discussion and Analysis

For the three and six months ended
June 30, 2017

International Frontier Resources Corporation is an independent Canadian publicly traded company, the principle business of which is to acquire, develop, exploit and produce oil and natural gas in Mexico, the Central Mackenzie Valley (“CMV”), Northwest Territories, Canada, and in north-west Montana in the United States.

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 June 30, 2017, 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 June 30, 2017 in accordance with IFRS and should be read in conjunction with the interim unaudited financial statements as at June 30, 2017 and the audited consolidated financial statements as at December 31, 2016 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, 2016. 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.

Liquidity, capital resources and financing activities

Working Capital

At June 30, 2017, cash and cash equivalents were \$5,213,755 (December 31, 2016 \$1,944,420) and working capital was \$5,288,040 (December 31, 2016 - \$1,730,535).

At June 30, 2017, the Company had restricted cash securing a letter of credit in the amount of \$300,000 (December 31, 2015 - \$300,000); the letter of credit secures a work deposit on the Company’s Northwest Territories Exploration License 495.

The increase in working capital at June 30, 2017 is mainly the result of a financing completed in in March 2017 for net proceeds of approximately \$4.8M mitigated by a loss in operations for the period of approximately \$1.2M.

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 plans in Mexico, Canada and the USA. 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 operator’s 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, 2017, the Company's capital as defined above was approximately \$5,100,780 (December 31, 2016 – \$1,886,520).

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 First Quarter Results

Selected financial information:

For the three months ended	June 30, 2017	March 31, 2017	June 30, 2016
Statement of operations			
Interest Income	\$ 9,575	\$ 9,670	\$ 9,575
Gain on disposition of properties	\$ 716,310	\$ -	\$ -
Net loss and comprehensive loss			
Net loss from continuing operations	\$ 73,815	\$ (739,630)	\$ (566,480)
Net loss from discontinued operations	\$ -	\$ (39,255)	\$ (18,880)
Net loss and comprehensive loss	\$ 73,815	\$ (778,885)	\$ (585,360)
Loss per share			
Net loss from continuing operations per share	\$ 0.001	\$ (0.01)	\$ (0.01)
Net loss from discontinued operations per share	\$ 0.00	\$ (0.00)	\$ (0.00)
Net loss per share	\$ 0.001	\$ (0.01)	\$ (0.01)
Cash flow			
Net cash provided (used in)			
Operating activities	\$ (296,225)	\$ (994,285)	\$ (514,510)
Investing activities	\$ (39,340)	\$ (354,075)	\$ (181,510)
Financing activities	\$ 75,000	\$ 4,872,925	\$ 1,460,800
	June 30, 2017	December 31, 2016	
Balance sheet - Assets			
Assets held for sale	\$ -	\$ 502,150	
Exploration and evaluation assets	\$ 7,018,910	\$ 6,958,260	
Property and equipment	\$ 5,825	\$ 6,550	
Total assets	\$ 13,284,045	\$ 10,289,555	
Working capital	\$ 5,288,040	\$ 1,698,095	
Investing Activities			
For the three months ended			
	June 30, 2017	March 31, 2017	December 31, 2016
Exploration and evaluation assets			
Canada	\$ 39,340	\$ 21,310	\$ 25,530

Discontinued Operations

For the three months ended	June 30, 2017	March 31, 2017	June 30, 2016
Sales volumes - BOE/ day (Canada)	-	28	25
Production volumes - BOE/ day (Canada)	-	28	33
Oil revenues, net	\$ -	\$ 105,695	\$ 76,780
Less: Field operating costs	14,290	136,295	81,270
Accretion expense	-	3,400	2,000
Depletion and depreciation	-	19,545	12,390
	14,290	159,240	95,660
Net loss from discontinued operations	\$ (14,290)	\$ (53,545)	\$ (18,880)

For the three months ended	June 30, 2017	March 31, 2017	June 30, 2016
Depletion of oil and gas properties	\$ -	\$ 14,410	\$ 7,255
Amortization of Alderson Battery	-	5,135	5,135
	\$ -	\$ 19,545	\$ 12,390

Disposition of Alderson properties

In December 2016, the Company entered into a preliminary agreement to sell its 100% interest in its oil properties in south east Alberta, Canada. On April 14, 2017, the Company completed the sale for consideration of \$1 and the reservation and granting to the Company of a 2.5% gross overriding royalty as pursuant to a Gross Overriding Royalty Agreement.

Pursuant to the sale the Company booked the following gain on disposal of properties:

	<u>Three months ended</u> <u>June 30, 2017</u>	<u>Six months ended</u> <u>June 30, 2017</u>
Proceeds	\$ 1	\$ 1
Book value of petroleum and natural gas properties	(467,166)	(467,166)
Recovery of decommissioning liabilities	1,197,765	1,197,765
Discontinued operations	(14,290)	(53,545)
	716,309	677,054
Gain on disposal of properties	\$ 716,310	\$ 677,055

Interest income

- In Q2, 2017 interest income from short-term investments was \$9,575 (Q1, 2017 - \$2,430, Q2, 2016 - \$2,975) the increase was due to an increase in amounts being invested at June 30, 2017.

General and administrative expenses

Three months ended:	30-Jun-17	31-Mar-17	30-Jun-16
Professional fees	\$ 13,100	\$ 61,500	\$ 29,745
Consulting fees and salaries	118,780	198,560	132,820
Rent and corporate costs	92,975	98,265	48,780
Filing and transfer fees	7,570	37,165	19,515
Investor relations	100,500	69,335	29,020
	\$ 332,925	\$ 464,845	\$ 259,880

- Total general and administration expenses in the three months ended June 30, 2017 were \$332,925 a 28.40% decrease as compared to the previous quarter.
- Increased filing and transfer fees and professional fees in Q1, 2017 were as a result of costs related to a financing completed in in March 2017
- Increased consulting fees and salaries in Q1, 2017 was due to a payment of \$75,000 for a retiring allowance to the Company's Chairman Emeritus in March 2017

Net loss

- For the three months ended June 30, 2017 the Company recorded net income of \$73,815 (\$0.001 income per share) as compared to a net loss of \$778,885 (\$0.01 loss per share) for Q1, 2017 (Net loss for Q2, 2016 - \$585,360 or \$0.01 loss per share)
- The net income in Q2, 2017 is the result of a gain of \$716,310 recorded on the sale of the Company's Alderson properties in April 2017.

Summary of Quarterly Results

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

Quarter ended:	Sept 30, 2015	Dec 31, 2015	March 31, 2016	June 30, 2016
Statement of operations				
Sales volumes - BOE/ day (Canada)	40	37	25	31
Production volumes - BOE/ day (Canada)	38	35	33	40
Oil revenues, net (Canada)	\$ 117,000	\$ 94,530	\$ 25,980	\$ 76,780
Net loss and comprehensive loss	\$ (387,000)	\$ (3,410,410)	\$ (359,785)	\$ (585,360)
Net loss per share				
Basic	\$ (0.01)	\$ (0.05)	\$ (0.004)	\$ (0.006)
Diluted	\$ (0.01)	\$ (0.05)	\$ (0.004)	\$ (0.006)
Balance Sheet				
Total assets	\$ 13,381,105	\$ 11,339,540	\$ 10,881,835	\$ 11,832,835
Working capital	\$ 1,080,015	\$ 1,993,485	\$ 1,668,015	\$ 2,602,435
Restricted Cash on deposit	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Funds flow from operations	\$ (311,855)	\$ (462,290)	\$ (273,610)	\$ (509,840)

Quarter ended:	Sept 30, 2016	Dec 31, 2016	March 31, 2017	June 30, 2017
Statement of operations				
Sales volumes - BOE/ day (Canada)	38	23	28	-
Production volumes - BOE/ day (Canada)	38	26	28	-
Oil revenues, net (Canada)	\$ 111,155	\$ 71,815	\$ 105,695	\$ -
Net loss and comprehensive loss	\$ (616,035)	\$ (1,690,950)	\$ (812,765)	\$ 73,815
Net loss per share				
Basic	\$ (0.007)	\$ (0.01)	\$ (0.01)	\$ 0.001
Diluted	\$ (0.006)	\$ (0.01)	\$ (0.01)	\$ 0.001
Balance Sheet				
Total assets	\$ 11,665,815	\$ 10,289,555	\$ 14,252,585	\$ 13,284,045
Working capital	\$ 2,781,185	\$ 1,698,095	\$ 5,662,500	\$ 5,288,040
Restricted Cash on deposit	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Funds flow from operations	\$ 35,345	\$ (613,470)	\$ (994,285)	\$ (296,225)

Financial Instruments

As disclosed in Note 16 to the unaudited condensed interim financial statements at June 30, 2017, 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.

June 30, 2017

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>	
			<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Financial assets:				
<u>Loans and receivables</u>				
Receivables	\$ 322,145	\$ 322,145	\$ -	\$ 322,145
Reclamation deposits	-	-	-	-
<u>Held for trading</u>				
Cash and cash equivalents	5,213,755	5,213,755	5,213,755	-
Restricted cash on deposit	300,000	300,000	300,000	-
	<u>\$ 5,835,900</u>	<u>\$ 5,835,900</u>	<u>\$ 5,513,755</u>	<u>\$ 322,145</u>
Financial liabilities				
<u>Measured at amortized costs</u>				
Payables and accruals	\$ 412,975	\$ 412,975	\$ -	\$ 412,975
Total financial liabilities	<u>\$ 412,975</u>	<u>\$ 412,975</u>	<u>\$ -</u>	<u>\$ 412,975</u>

- a) Fair value of financial assets and liabilities: The Company's financial instruments as at June 30, 2017 include cash and cash equivalents, receivables, restricted cash on deposit, reclamation deposits and payables and accruals. The fair values of receivables, reclamation deposits and payables and accruals approximate their carrying amounts due to their short terms to maturity. The cash and cash equivalents and the restricted cash on deposit balances are equal to their fair values.

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, 2017 cash and cash equivalents and restricted cash on deposit have been classified as Level 1.

- b) **Credit risk:** Substantially all of the receivables 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, 2017 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
\$ 322,145	\$ 59,165	\$ -	\$ 45,075	\$ 217,905

- 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, 2017.
- 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 June 30, 2017, the Company's accounts payable and accrued liabilities were \$412,975 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
\$ 412,970	\$ 145,100	\$ -	\$ 34,770	\$ 233,100

Mexico

On September 21, 2015 a Mexican Corporation, Tonalli Energia ("Tonalli or TE Corporation") was set up to participate in Mexico's historical Energy Reform. The original shareholders of Tonalli were Petro Frontera (a subsidiary of IFR) 47.5%, Grupo Idesa 50% and Enrique Miranda 2.5%.

On October 3, 2016, the Company entered into a share purchase agreement with Industrias Miral, S.A. De C.V., the 5% shareholder of Petro Frontera, the Company's 95% owned Mexican subsidiary. Pursuant to the agreement the Company purchased from the shareholder 24 Series A shares of Petro Frontera, for a consideration of \$ 100. As a result of this agreement the Company owns 99.80% of Petro Frontera. As a result of this agreement Petro Frontera effectively owns 50% of shares in TE Corporation.

In Q2, 2016 Tonalli was awarded the Tecolutla block, the block was awarded to Tonalli as the first-place bidder did not provide the required financial guarantees. The Tecolutla license agreement was signed on August 25th, 2016.

A summary of the License terms is as follows;

- **Effective Date:** August, 2016
- **Term:** 25 years plus two possible extensions of five years each
- **National Content Rule :** 22% escalating to 38%
- **Appraisal Period:** one to two years to Perform a Minimum Work Program of one well and one work over at an estimated cost of US\$1.8 million

- **Performance Guarantee:** 50% of assigned value of 4600 Work Units (\$1.8 MM US)
- **Royalties:**
 - Base Oil Royalties (7.5% @ \$48 US linear to 14% @ 100\$ US Brent)
 - Additional Bid Royalty of 31.22% of the contract value of hydrocarbons produced

A royalty to the surface landowner in an amount of 1- 3% of the contract value subject to negotiation after the signing of the Licence (being directed by CNH)

The Tecolutla Block is a 7.2 km² block in the Tampico-Misantla Basin located within the state of Veracruz. The producing carbonate oil reservoir in the Tecolutla Block is the El Abra formation at a depth of 2,340 meters. 3D seismic has been acquired over the entire Tecolutla Block and 7 wells have been drilled into the producing reservoir. Peak production of over 900 bbl/d occurred from the Tecolutla Block in 1972 from 4 wells, with 1 producing well remaining as of Dec 2014. Tonalli's experienced operating team intends to deploy advanced carbonate drilling, completion and recompletion techniques in the Tecolutla Block.

On June 23, 2017, the Mexican energy regulator, the National Hydrocarbons Commission (CNH), approved Tonalli Energia's evaluation plan for Block 24. The evaluation plan outlines in detail the scheduled work program to develop Tecoluta. The Company is currently in the process of seeking regulatory approvals to begin its operational and drilling plan at Tecolutla.

Tonalli is operator of the Tecolutla block and IFR provides geological, geophysical, engineering and project management services; Tonalli reimburses IFR for a portion of the Company's geological, engineering and project management costs.

In August 2016, Tonalli secured from a Mexican institution a US\$1,764,100 performance bond toward the guarantee of performance of the minimum work programs. Upon completion of the minimum work program, the performance bond will be returned. In January of 2016 the Company entered into an Account Performance Security Guarantee (APSG) facility of US \$882,050 with Export Development Canada ("EDC"). The APSG facility ("Guarantee Facility") is provided as 50% of a performance bond issued by the Company's 50% owned joint venture company Tonalli Energia ("Tonalli").

The investment in TE Corporation is accounted for using the equity method of accounting. The Company's investment in TE Corporation at December 31, 2016 is as follows:

Equity Investment	
Initial investment	\$229,950
2015 Losses	(90,165)
2016 Contributions	484,430
2016 Losses	(258,435)
Q1, 2017 Contributions	332,765
Q1, 2017 Losses	(216,120)
Q2, 2017 Losses	(224,125)
Balance at June 30, 2017	<u>\$258,300</u>

Losses incurred in 2016 and 2017 are related to general and administrative costs and regulatory costs incurred by Tonalli with respect to the Company's Tecolutla project

On July 12, 2017, Tonalli Energia participated in the Mexican Energy Reform Onshore Bid Round 2.3. The Company was not awarded any licenses but placed second in bidding on Block CS-03 and came in third place on Blocks CS-02 and CS-04. The documentation submitted for Block CS-03 will remain with the Comision Nacional de Hidrocarburos (CNH) and Tonalli will be awarded this block if the winner is unable to meet its bid round completion requirements 150 days from July 12, 2017.

Obligations

- Effective December 1, 2016 the Company is party to an agreement to lease its new premises until June 29, 2019. The annual rent of the premises will consist of minimum rent plus occupancy costs. Minimum rent plus occupancy costs to the end of the lease is as follows:

2017	\$ 24,500
2018	\$ 49,000
2019	\$ 25,000

- On August 25, 2016, the Company's 50% owned Joint Venture met all of the terms and conditions and signed a license contract with the Mexico Comision Nacional de Hidrocarburos (CNH) for the Onshore Oil and Gas Development Block 24, Tecolutla, granting TE Corporation the right to develop and produce hydrocarbons. As required by the CNH, TE Corporation secured from a Mexican institution a US\$1,764,100 performance bond toward the guarantee of performance of the minimum work programs. Upon completion of the minimum work program, the performance bond will be returned. TE Corporation is required to fulfil the Minimum Work Program by performing any combination of tasks to earn 4,600 Work Units. TE Corporation intends to drill one well to earn 4,000 Work Units and conduct a work-over and a combination of other activities, if required, to earn up to 600 Work Units to satisfy the Minimum work requirement under the License Contract. The Company's 50% share of these activities has been budgeted as CAD \$2.6M. In addition, the Company has guaranteed its share of the performance bond secured by TE Corporation.

Related Party Transactions

Certain officers who are directors and consultants provide professional, consulting and management services to the Company. In prior years the Company had also entered into agreements with certain officers and directors 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, 2017 are provided below, these costs are included in general and administrative expenses on the condensed statements of operations and comprehensive loss at June 30, 2017:

- Compensation paid to executive officers was \$337,000 (June 30, 2016 - \$260,000) in salaries and \$3,000 (June 30, 2016 - \$13,800) in consulting fees.

Other Items

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	June 30, 2017	August 25, 2017
Common shares outstanding	119,359,005	119,359,005
Warrants outstanding	31,361,880	31,361,880
Options outstanding	8,986,500	8,986,500
Fully diluted	<u>159,707,385</u>	<u>159,707,385</u>

Additional details on the shares, options and warrants outstanding at June 30, 2017 are available in the Notes to the June 30, 2017 condensed consolidated interim financial statements.

Accounting Policies and Estimates

The Company is assessing the new and revised accounting pronouncements that have been issued that are not yet effective:

New Accounting Policies

Change in accounting policies

On January 1, 2017, the Company adopted the following pronouncements as issued by the IASB. The adoption of these standards did not have a material impact on Company's consolidated financial statements.

i) Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

Future accounting policies

The following accounting standards and amendments are effective for future periods. The impact of the adoption of the following pronouncements are currently being evaluated.

i) IFRS 9 Financial Instruments

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

This standard is effective for reporting periods beginning on or after January 1, 2018.

ii) IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

This standard is effective for reporting periods beginning on or after January 1, 2018.

iii) IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less International Frontier Resources [June 30, 2017 Management Discussion and Analysis](#)

or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019.

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