



International Frontier Resources Corporation
Management Discussion and Analysis
For the nine months ended September 30, 2020

International Frontier Resources Corporation (the "Company") 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 following is management's discussion and analysis ("MD&A") of IFR's operating and financial results for the period ended September 30, 2020, as well as information concerning the Corporation's future outlook based on currently available information. The MD&A has been prepared by management as at November 25, 2020 in accordance with International Financial Reporting Standards, in Canadian dollars and should be read in conjunction with the interim unaudited consolidated financial statements as at September 30, 2020 together with the accompanying notes. This MD&A contains forward-looking statements. See "*Forward Looking Statements*".

The interim unaudited financial statements include the accounts of the Company and its 99.80% owned Mexican subsidiary, Petro Frontera S.A.P.I de CV ("Frontera"), which is accounted for using the consolidation method. All inter-company transactions and balances are eliminated upon consolidation. The consolidated financial statements also include Frontera's 50% investments in Tonalli Energia S.A.P.I. de CV ("Tonalli"), and Energia Mexcan ("Mexcan"), Mexican companies which are accounted for using the equity method.

The quarterly financial statements have not been reviewed or audited on behalf of the shareholders by the Corporation's independent external auditors. All financial measures presented in this MD&A Report are expressed in Canadian dollars unless otherwise indicate. References herein to "boe" mean barrels of oil equivalent derived by converting gas to oil in the ratio of six thousand cubic feet (Mcf) of gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Summary of First Quarter Results

Selected financial information:

For the three months ended	September 30, 2020	June 30, 2020	September 30, 2019
Statement of operations			
Interest income	\$ 20,465	\$ 18,570	\$ 84,150
Net loss and comprehensive loss	\$ (308,070)	\$ (1,051,910)	\$ (157,865)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)
Cash flow			
Net cash provided (used in)			
Operating activities	\$ (118,285)	\$ (138,315)	\$ (134,600)
Investing activities	\$ (24,100)	\$ (92,435)	\$ (167,030)
Financing activities	\$ -	\$ 40,000	\$ -
	September 30, 2020	June 30, 2020	September 30, 2019
Balance sheet - Assets			
Investment in associates	\$ 2,505,255	\$ 2,543,815	\$ 40,365
Total assets	\$ 5,132,910	\$ 5,427,495	\$ 7,602,215
Working capital	\$ (410,730)	\$ (268,460)	\$ 6,750,225

Discussion of Operations

Interest income

- In Q3 2020 the Company earned interest income of \$20,465 (Q2, 2020 - \$18,570, Q3, 2019 - \$84,150) with respect to interest accrued in Petro Frontera on shareholder loans to Tonalli.
- The decrease in interest income in 2020 as compared to 2019 is due to decrease in shareholder loan balances at September 30, 2019

General and administrative expenses

Three months ended:	September 30, 2020	June 30, 2020	September 30, 2019
Professional fees	\$ 24,600	\$ 40,185	\$ 8,355
Consulting fees and salaries	75,000	75,405	47,570
Rent and corporate costs	37,810	34,920	54,635
Filing and transfer fees	1,120	10,960	13,370
Corporate travel	-	-	345
Business development	-	-	1,130
	\$ 138,530	\$ 161,470	\$ 125,405

- Total general and administration expenses in the three months ended September 30, 2020 were \$138,530 a 14.21% decrease as compared to the previous quarter.
- The increase in general and administration expenses for the three months ended June 30, 2020 was a result of costs related to the company's year end audit and related filing fees in that period.

Net loss

- For the three months ended September 30, 2020 the Company recorded a net loss of \$308,070 (\$0.00 loss per share) as compared to \$1,051,910 (\$0.00 loss per share) for Q2, 2020 (Net loss for Q3, 2019 - \$157,865 or \$0.00 loss per share)
- The increased loss in Q2, 2020 was the result of an increased equity loss in Tonalli related to impairment of oil and gas properties in that period.

Share based compensation

- In Q3, 2020 the Company recorded a compensation expense of \$30,690 (Q2, 2020- \$52,110, Q3, 2019 - \$115,405 with respect to options granted in 2018 and 2019. The fair value of options granted was estimated on the date of grant using the Black-Scholes option-pricing model.
- There were no options granted in Q3, 2020.

Investing activities

Investment in Tonalli Energia S.A.P.I. de C.V.

On September 21, 2015, a Mexican Company, Tonalli Energia S.A.P.I de C.V. Tonalli was set up to participate in Mexico's Energy Reform. The shareholders of Tonalli are Frontera (50%) and Grupo IDESA S.A. de C.V. (50%).

In 2018, Frontera acquired a 50% interest in Energia Mex Can in association with its investment in Tonalli. The investments are accounted for using the equity method.

The Company's investments in Tonalli and Mexcan are as follows:

As at September 30, 2020	<u>Tonalli</u>	<u>Mexcan</u>	<u>Total</u>
Balance, beginning of year	\$ 3,560,210	\$ 38,605	\$ 3,598,815
Share of income (loss) for the year	(1,100,800)	7,240	(1,093,560)
Balance, end of period	\$ 2,459,410	\$ 45,845	\$ 2,505,255
As at December 31, 2019	<u>Tonalli</u>	<u>Mexcan</u>	<u>Total</u>
Balance, beginning of year	\$ 328,395	\$ 30,445	\$ 358,840
Contributions	3,117,120	-	3,117,120
Share of income (loss) for the year	(890,305)	8,160	(882,145)
Fair value adjustment of Tonalli loan	1,005,000	-	1,005,000
Balance, end of year	\$ 3,560,210	\$ 38,605	\$ 3,598,815

At September 30, 2020, Frontera has loaned \$2,924,575 CAD equivalent (December 31, 2019 - \$5,899,800 CAD equivalent) to Tonalli in the form of a shareholder loans pursuant to a shareholder loan agreement.

At December 31, 2019, \$3,117,120 of the outstanding shareholder loan balance of \$5,899,800 CAD equivalent was converted to common shares of Tonalli and as a result were recognized as a contribution to the Tonalli equity investment. Furthermore, on December 31, 2019 the Company amended all remaining shareholder loans (including interest accrued to date) in the amount of \$2,142,500 USD to bear interest at a rate of Libor plus 2.75% and extended the maturity date to December 31, 2024.

Interest accrued at September 30, 2020 was \$578,710 (December 31, 2019 - \$485,255) CAD equivalent and has been included in shareholder loan at September 30, 2020 .

At December 31, 2019, the fair value of the shareholder loan was determined to be \$2,602,830 CAD. The difference of \$1,005,000 between the fair value of the shareholder loan and the loan balance is recorded as an increase in the Company's equity investment in Tonalli in 2019.

Tonalli Share Option Agreement

On September 26, 2018 the Company entered into a share option agreement (the "Option Agreement") with its joint venture partner IDESA pursuant to which the Company's wholly-owned Mexican subsidiary Frontera was granted the option (the "Option") to purchase all of the outstanding shares in Tonalli held by IDESA. Currently, Frontera holds 50% of the outstanding shares of Tonalli with IDESA holding the remaining 50%.

Under the terms of the Option Agreement, Frontera has the right to acquire the outstanding shares of Tonalli held by IDESA prior to the expiry date of September 25, 2020 upon payment of the exercise price in the amount of 70,000,000 common shares of the Company less the number of the Company's shares issued to IDESA prior to the exercise as part of the future private placement as set out in the Option Agreement. Pursuant to the Option Agreement, IDESA has agreed to subscribe for the Company's shares in the aggregate amount of a minimum of CDN\$1,000,000 as part of a future private placement of the Company's shares to be completed by Company before March 25, 2019. Subsequent to the year ended December 31, 2018, it was agreed that the Option Agreement would be amended to extend the date of the subscription of shares and on April 22, 2019 IDESA participated in a private placement and was issued 10,714,500 shares for proceeds of CDN \$1,017,880.

On September 25, 2020, the option had not been exercised and expired. The fair value of the Option which had been determined to be \$45,000 has been recognized as a loss in the period.

Tonalli Operations

Tecolutla Contract

A summary of the License terms for the Tecolutla Block 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% of the contract value subject to negotiation after the signing of the Licence (being directed by the Mexican energy regulator, the National Hydrocarbons Commission (“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 were drilled into the Tecolutla Block. Peak production of over 900 bbl/d occurred from the Tecolutla Block in 1972 from 4 wells, with 1 producing well remaining as of December 2014.

Evaluation Plan

- In July 2019, Tonalli received a further extension of its Evaluation Plan with respect to the Tecolutla Block until July 6, 2020. There were no additional work commitments with respect to the Tecolutla Contract.
- In June 2019, Tonalli had completed the full requirements for the drilling of the TEC-11 well in order to satisfy the minimum work requirement as required by the extension of the evaluation plan. On June 6, 2019, Tonalli received full accreditation for its remaining 4,800 work units.
- In December 2018, Tonalli completed drilling of the TEC-11 well and satisfied the requirements to earn the work units under the modification of its evaluation plan.
- In November 2018, Tonalli received accreditation for 4,000 work units with respect to the TEC-10 drill and in June 2019 Tonalli received accreditation of its remaining 600 work units. The performance bond was returned in January 2019 upon fulfilment and approval of the required work program.
- On July 6, 2018 Tonalli received approval from Mexico’s National Hydrocarbons Commission (“CNH”) to extend its Tecolutla evaluation plan and final approval for the modification of the work program was received on October 18, 2018 which resulted in a commitment of an additional 4,000 work units.
- On September 23, 2017, the Mexican energy regulator, the CNH, approved Tonalli’s evaluation plan for the Tecolutla Block. The evaluation plan outlines in detail the scheduled work program to meet 4,600 work units on the Tecolutla Block.

Operations

	Nine months ended		Three months ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Jun-20
Total Production (BBL/Day)	73	95	68	0
Oil sales	\$ 654,813	\$ 1,863,635	\$ 257,373	\$ -
Royalties	(271,985)	(762,444)	(102,661)	(4,105)
Production and operating expenses	(336,104)	(845,960)	(100,365)	(12,135)
Total operating netback ⁽¹⁾	\$ 46,724	\$ 255,231	\$ 54,347	\$ (16,240)
Oil Sales (\$/BBL)	\$ 49.67	\$ 70.98	\$ 41.81	\$ -
Royalties (\$/BBL)	(20.63)	(29.04)	(16.68)	-
Field operating costs (\$/BBL)	(25.50)	(32.22)	(16.30)	-
Total operating netback ⁽¹⁾	\$ 3.54	\$ 9.72	\$ 8.83	\$ -
Total production (bbl)	13,182	26,255	6,156	0

(1) See Non GAAP measures

Sales Volumes/Price

- Price is calculated using the agreed upon formula per the Company's executed Commercialization Contract with PEMEX.
- The increase in production in Q3, 2020 as compared to Q2, 2020 is due to the shut-in of production in Q2, 2020 due to declining commodity prices. Production resumed on July 1, 2020 at an average rate of 68bbl/day for the three month period ended September 30, 2020.

Royalties

- Total royalties are made up of the base royalty calculated using the formula as prescribed in the Tecolutla Contract and the additional bid or contract royalty of 31.22%.and monthly block taxes and fees as required by the Contract.

Production and operating costs

- The increase in operating costs per bbl in Q3, 2020 as compared to Q2, 2020 is due to the shut in of production in Q2, 2020 due to declining commodity prices
- The field was brought back on production on July 1, 2020 and the Company reduced operating costs with the construction and purchase of additional equipment in the field.

Commitments

- Effective July 1, 2020 the Company is party to an agreement to lease its new premises until June 30, 2021. 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 \$24,000.
- At September 30, 2020 Tonalli had completed all of the requirements to satisfy the minimum work commitments as required by the extension of the evaluation plan in conjunction with its license contract for Tecolutla and received full accreditation for its remaining work units.

Tonalli has no remaining work commitments with respect to the license contract at September 30, 2020.

- On April 29, 2020 the Company received a \$40,000 Canada Emergency Business Account ("CEBA") unsecured loan from the Government of Canada via its commercial bank. The loan is interest free until December 31, 2022 and matures on December 31, 2025. If the loan is paid off by December 31, 2022 a quarter of the loan will be forgiven. If the loan is not repaid by December 31, 2022, interest at 5% will be charged per annum commencing on January 1, 2023 until maturity.

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	September 30, 2020	November 25, 2020
Common shares outstanding	243,391,939	243,391,939
Options outstanding	14,525,000	14,525,000
Fully diluted	257,916,939	257,916,939

Summary of Quarterly Results

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

Quarter ended:	December 31,	March 31,	June 30,	September 30,
	2018	2019	2019	2019
Statement of operations				
Net loss and comprehensive loss	\$ (6,324,000)	\$ (588,960)	\$ (575,100)	\$ (157,865)
Net loss per share				
Basic and diluted	\$ (0.04)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Balance Sheet				
Total assets	\$ 6,647,250	\$ 6,088,220	\$ 7,667,055	\$ 7,602,215
Working capital	\$ 5,483,330	\$ 5,189,300	\$ 6,791,585	\$ 6,750,225
Restricted cash on deposit	\$ 300,000	\$ -	\$ -	\$ (135,470)
Funds flow from (used in) operations (1)	\$ 433,265	\$ (47,895)	\$ (172,375)	\$ (134,600)
Quarter ended:	December 31,	March 31,	June 30,	September
	2019	2020	2020	2020
Statement of operations				
Net loss and comprehensive loss	\$ (1,561,935)	\$ (223,615)	\$ (1,275,525)	\$ (308,070)
Net loss per share				
Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Balance Sheet				
Total assets	\$ 6,063,030	\$ 6,412,020	\$ 5,427,495	\$ 5,132,910
Working capital	\$ (595,915)	\$ (73,215)	\$ (268,460)	\$ (410,730)
Funds flow from (used in) operations (1)	\$ (54,525)	\$ (325,815)	\$ (138,315)	\$ (118,285)

Non Gaap measures

This MD&A contains the term "funds flow from operations", which is commonly used in the oil and natural gas industry. This term is not defined by IFRS and therefore may not be comparable to similar measures presented by other companies. There are measures commonly used in the oil and gas industry and by the Corporation to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations. These terms should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with IFRS as indicators of the Corporation's performance. The Corporation considers funds from operations to be a key measure of operating performance as it demonstrates the Corporation's ability to generate the necessary funds to fund sustaining capital and future growth through capital investment. Management believes that such a measure provides an insightful assessment of the

Corporation's operations on a continuing basis by eliminating certain non-cash charges and charges that are nonrecurring. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures for other entities.

Liquidity, capital resources and financing activities

Working Capital

At September 30, 2020, the Company has cash and cash equivalents of \$80,595 (December 31, 2019 - \$95,050) and a working capital deficit of \$410,730 (December 31, 2019 – \$595,515),

During Q1 2020, the Company received total proceeds of \$695,405 as part of a rights offering. On April 29, 2020 the Company received \$40,000 with respect to the Canadian Emergency Business Account "(CEBA)".

Planned Capital Program

Tonalli has fulfilled its capital obligations with respect to its evaluation period. The Company will work towards completing and obtaining approval for its development plan before any further plans are made for further development of the Tecolutla field.

Future Capital Requirements

The Company regularly forecasts its capital needs on an annual, quarterly and monthly basis. The Company's current internally generated cash flows provide sufficient capital for the Company's current exploration plans. Historically, the Company has relied on proceeds from the sale of its common shares to fund its operations. In order to accelerate the Company's current exploration programs, the Company may require additional capital. The timing, pace, scope and amount of the Company's capital expenditures is largely dependent on the operator's capital expenditure program(s) and the availability of capital to the Company.

The majority of the properties in which the Company currently has an interest are in the exploration stage and do not generate any significant revenue at this time. The Company therefore is dependent upon partnerships with industry and external financing to fund the majority of its future exploration programs. The Company will spend existing working capital and will seek additional financing as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential.

In the management of capital, the Company includes cash and cash equivalents, accounts receivable, shareholder loan receivable and restricted cash less accounts payable and accrued liabilities in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company is reasonable. As at September 30, 2020, the Company's capital as defined above was approximately \$(443,175) - (December 31, 2019 – \$(628,670)).

The Company had a net loss of \$1,583,595 and cash flows used in operations of \$582,415 for the period ended September 30, 2020, and a working capital deficit of \$410,730 as at September 30, 2020.

In early March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices and currency exchange rates, and a marked decline in long-term interest rates. As a result, oil and gas companies are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements. These factors are likely to have a negative impact on the Company's ability to raise equity, if required, in the near future or on terms favorable to the Company. Impairment indicators for Tonalli's oil and gas properties could exist in future periods, if current conditions persist. The potential impact that COVID-19 will have on our business or financial results cannot be reasonably

estimated at this time. However, any shutdowns requested or mandated by local or foreign government authorities in response to the outbreak of COVID-19 may have a material impact to the Company's planned operating activities.

Subsequent to March 31, 2020 oil prices significantly declined, to levels where continued operations could not be sustained at profitable levels. Operations within Tonalli were suspended until oil prices increased to profitable levels. Oil prices stabilized in June 2020 and the Company resumed operations on July 1, 2020.

On January 17, 2020, the Company completed the previously announced rights offering. The Company issued 69,540,554 common shares of the Company at a price of \$0.01 per common share, raising total gross proceeds of \$695,406. Although the rights offering was successful and management has been successful in raising capital in the past, there is no assurance other raises of capital in the future will be successful.

On April 29, 2020 the Company received \$40,000 with respect to the Canadian Emergency Business Account. The loan is interest free until December 31, 2022. If the loan is paid off by December 31, 2020, a quarter of the loan will be forgiven.

The Company's ability to continue as a going concern is dependent on the successful operations of Tonalli as well as management's ability to identify additional sources of capital and to raise sufficient resources to fund ongoing operating and development expenditures. There is no guarantee that the operations of Tonalli will be successful, or that additional sources of funding will be obtained.

These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

Related Party Transactions

The amounts paid to officers and directors during for the periods ended September 30, 2020 and 2019 are provided below, these costs are included in general and administrative expenses.

For the nine months ended September 30,	2020	2019
Executive compensation	\$ 180,000	\$ 304,000
Stock based compensation	127,750	128,835
	\$ 307,750	\$ 432,835

Financial Instruments

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, 2020 and 2019 include cash and cash equivalents, accounts receivable, shareholder loan, restricted cash on deposit and accounts payable and accrued liabilities. The fair values of accounts receivable, restricted cash on deposit and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. Cash and cash equivalents and the restricted cash on deposit balances are equal to their fair values.
- b) Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The maximum exposure to loss associated with accounts receivable is the total carrying amounts on the balance sheet. All amounts outstanding at September 30, 2020 are expected to be collected in 2020.

The following table presents the aging of the Company's accounts receivable at September 30, 2020:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 13,700	\$ 3,990	\$ -	\$ -	\$ 9,710

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets. All balances receivable greater than 60 days are owing from related parties, there are no material financial assets due from third parties that are past due.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts based on historical credit loss experience adjusted for forward looking factors with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance account.

The Company's allowance for doubtful accounts balance at September 30, 2020 is \$799,240 (December 31, 2019 – \$799,240).

- 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, 2020.
- d) **Foreign currency risk:** Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company has financial instruments denominated in US dollars and Mexican pesos. The Company's management monitors the exchange rate fluctuations on a regular basis. The Company does not use currency derivative instruments to manage the Company's exposure to foreign currency fluctuations.
- e) **Commodity price risk:** Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum are impacted by the relationship between the Canadian Dollar and Mexican Peso, the Canadian Dollar and United States Dollar, global economic events and Mexican government policies.

The operations of Tonalli are affected by changes in commodity prices, which in turn, will affect the Company's investment in associates.

- f) **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, 2020, the Company's payables and accruals were \$537,470 the majority of which are due to related parties of the Company at September 30, 2020. The Company regularly reviews its accounts payable balances and follows up on amounts past due. The Company's financial liabilities are summarized below:

Total accounts payable and accrued liabilities	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ (537,470)	\$ (9,860)	\$ (1,340)	\$ (2,970)	\$ (523,300)

Accounting Policies and Estimates

The condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the consolidated financial statements for the fiscal year December 31, 2019.

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of International Financial Reporting Standards that have a significant impact on the financial results of the Corporation. 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. Decommissioning liabilities 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 decommissioning liabilities included in property and equipment.

Operational and other business risks

Current Economic Conditions

The volatility in the price of oil and natural gas has created a substantially more volatile business environment. These conditions may limit certain of the Corporation's business activities and it will continue to provide risk for International Frontier's exploration projects.

Need to Replace and Grow Reserves

The future oil and natural gas production of International Frontier, and therefore future cash flows, are highly dependent upon ongoing success in exploring its current and future undeveloped land base, exploiting the current producing properties, and acquiring or discovering additional reserves. Without reserve additions through exploration, acquisition or development activities, reserves and production will decline over time as reserves are depleted.

The business of discovering, developing, or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, the ability of International Frontier to make the necessary capital investments to maintain and expand its oil and natural gas reserves may be impaired. There can be no assurance that International Frontier will be able to find and develop or acquire additional reserves to replace and grow production at acceptable costs.

Exploration, Development and Production Risks

Oil and natural gas exploration in Mexico involves a high degree of risk, which even with a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by International Frontier will result in new discoveries of oil and natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of International Frontier depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that International Frontier will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participation are identified, International Frontier

may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recover of drilling, completion and operating cost. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rate over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blowouts, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Contingent Resources

The resources assigned to the Corporation's properties have been classified as contingent. The Canadian Oil and Gas Evaluation Handbook Volume 1 defines contingent resources as quantities of oil and gas estimated to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be sub classified based on project maturity and/or characterized by their economic status.

- Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulations. If probabilistic methods are used this term reflects a P90 confidence level.
- Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used this term is a measure of the central tendency of the uncertainty distribution (most likely/mode, P50/median, or arithmetic average/mean).
- High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P10 confidence level.

There is no certainty that a gas pipeline will be constructed to tie-in the Corporation's contingent resources, nor is there certainty that it will be commercially viable to produce any portion of the contingent resources identified in the McDaniel & Associates contingent resource report on the Corporation's Northwest Territories properties dated December 31, 2013.

Volatility of Oil and Natural Gas Prices

The operational results and financial condition of International Frontier will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the operations, proved reserves, and financial conditions of International Frontier and could result in a reduction of the net production revenue of the Corporation causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings that might be made available to the Corporation are typically determined in part by the borrowing base of the reserves of International Frontier. A sustained material decline in prices from historical average prices could reduce the

borrowing base of International Frontier, therefore reducing the bank credit available to International Frontier and could require that a portion of such bank debt be repaid.

Operational Hazards and Other Uncertainties

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, International Frontier is not fully insured against all of these risks, nor is all such risks insurable. Although International Frontier will maintain liability insurance, where available, in an amount which it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event International Frontier could incur significant costs that could have a material adverse effect upon its financial condition. Business interruption insurance may also be purchased for selected facilities, to the extent that such insurance is available. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability and/or cost of such equipment to International Frontier and may delay exploration and development activities. To the extent International Frontier is not the operator of its oil and gas properties, the Corporation will be dependent on other operators for timing of activities related to non-operating properties and will be largely unable to direct or control the activities of the operators.

Although property title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of International Frontier which could result in reduction of the revenue received by the Corporation.

Competition

There is strong competition relating to all aspects of the oil and natural gas industry. International Frontier will actively compete for capital, skilled personnel, undeveloped land, reserve acquisitions, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity, and in all other aspects of its operations with a substantial number of other organizations, many of which may have greater technical and financial resources than does International Frontier.

Key Personnel

The success of International Frontier will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on International Frontier. International Frontier does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of International Frontier are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that International Frontier will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Environmental Risks

The oil and natural gas industry is subject to environmental regulation pursuant to a variety of international conventions and Canadian federal, provincial and municipal laws, regulations, and guidelines and Montana state laws and regulations. A breach of such regulations may result in the imposition of fines or issuances of clean up orders in respect of International Frontier or its assets. Such regulation may be changed to impose higher standards and potentially more costly

obligations on International Frontier. There can be no assurance that future environmental costs will not have a material adverse effect on International Frontier.

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;
- 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 resource estimates.

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 Corporation’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

This forward-looking information represents the Corporation’s views as of the date of this MD&A and such information should not be relied upon as representing its views as of any subsequent date. IFR has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. There may be other factors, however, that cause results,

performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

Additional information regarding the Corporation and factors that could affect its operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Corporation's Annual Information Form, and may be accessed through the SEDAR website (www.sedar.com). Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Corporation's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Other information

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