

# **International Frontier Resources Corporation Management's Discussion and Analysis September 30, 2011**

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

The following is management's discussion and analysis ("MD&A") of International Frontier Resources Corporation's ("International Frontier" or "IFR" or the "Corporation" or the "Company") operating and financial results for the interim period ending September 30, 2011, as well as information concerning the Company's future outlook based on currently available information. The MD&A has been prepared by management in accordance with International Financial Reporting Standard 1 - First-time Adoption of International Financial Reporting Standards ("IFRS"), and with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles in effect prior to January 1, 2011 ("Canadian GAAP"). This MD&A contains forward looking statements, the definitions of which are defined herein.

The MD&A and the interim consolidated financial statements and accompanying notes have been prepared by management and approved by the Audit Committee and the Board of Directors on November 22, 2011. The interim consolidated financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors.

## ***Operations Review - Third Quarter 2011 & YTD Southern Alberta Basin ~ NW Montana***

In Q3, 2011 the Company increased its mineral title ownership on freehold acreage ("fee land" or "fee acreage") by entering into agreements to purchase up to an additional 5,600 acres. The purchase increased our fee acreage portfolio from 17,000 to 22,680 acres (more or less) in an emerging deep basin tight oil resource play. We have been fortunate to purchase the fee acreage in Glacier, Pondera and Teton counties for US\$185 per acre. If a satisfactory title opinion is obtained on the entire 22,680 acres the cost to buy the fee lands will be US\$4,181,000. It is worthy to note that we are expecting some title failures on the acreage however there is a clause in the agreement that allows the vendors a period of time to rectify any title defects. If title defects are not cured then the affected acreage will be excluded from the purchase agreement and the price will be adjusted accordingly at a price of US\$186 per acre.

Approximately 95% of our fee acreage is located on the Blackfeet Reservation ("reserve") which is located on the eastern fore-front of the Rocky Mountains in Glacier County. The reserve covers an area of 1.5 million acres of which two-thirds is postulated to be in an over-pressured unconventional tight oil resource play. The prospective zones in the play fairway include the Bakken, Three Forks, Nisku and Cone members.

The majority of IFR's fee acreage has been leased to companies that are drilling exploration and appraisal wells on the reserve. The leases reserve in favor of IFR gross overriding royalties ranging from 12.50% to 18.50%. The companies that hold leases are required to drill wells on individual lease parcels before the term of the lease expires. In the event a well is not drilled on a lease parcel before it expires the acreage reverts back to IFR. The leases expire at various times commencing in 2013 to 2017. Because we own title on our fee acreage it does not expire, as a result the Company has a number of non-dilutive options available for future development on its fee lands.

After a wet spring operators stepped up drilling activity on the Blackfeet Reservation, a summary is as follows;

- Anschutz Exploration Corporation (private) ~ to date Anschutz has obtained drilling permits for ten horizontal wells on the reserve. To date we believe that seven wells have been rig released and that four wells have been fracture-stimulated. The wells are on the

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west side of the reserve in the over-thrust region, well depths range from 9,500 to 15,860 feet.

- Rosetta Resources (NASDAQ: ROSE) ~ to date Rosetta have been issued drilling permits for 13 wells on the reserve. In a Nov 8, 2011 update Rosetta reported "we have drilled four of our seven well horizontal drilling program, one of the wells is currently being production tested ~ we do not have a stabilized production rate to report at this time. The other three horizontal wells should be completed and fracture-stimulated by the end of Q4, 2011. The remaining three horizontal wells should be finished drilling in Q1, 2012. All seven wells are targeting 4,000-foot horizontal sections in the Bakken formation. We will provide additional guidance at the end of Q4, 2011".
- Newfield Production Company (NYSE: NFX) have been issued permits for 15 wells on reserve lands. In a Q3, 2011 update Newfield reported "we are nearing the end of the vertical well drilling program, all wells drilled to date have encountered oil ~ we remain encouraged on the play. To date we have drilled two horizontal wells on the play, one well was not fracture-stimulated and in the other well a 4,000-foot horizontal section was drilled and completed but only one-third of the frack was placed in the prospective zone. This well had an initial production rate (IP) of 225 BOPD ~ had the zone been fully fracture-stimulated the IP rate could have been much better" Newfield did not provide any additional guidance on the play for 2012.
- FX Energy (NASDAQ: FXEN) have drilled 3 vertical wells through the Bakken group and they report "logs, cores and tests were as good as or better than expected". They have drilled one horizontal leg, fracking operations are scheduled for November.

FX Energy, Newfield and Rosetta have reported finding oil in all wells drilled to date in this tight-light-oil-resource-play. At the present time, under State Law, well logs and production data is being held confidential. Currently there is no frack-pumping equipment in NW Montana therefore equipment is being brought in from Wyoming which adds time and costs to wells that are probably costing in the \$6 - \$8 million range. In a Q3 update Rosetta indicated that development wells should cost \$4 million.

A list of wells that have been licensed, drilled or production tested in NW Montana and in SW Alberta is as follows;

***Southern Alberta Basin Montana ~ YTD***

<b>Operator</b>	<b>Well Location</b>	<b>Date</b>	<b>Depth Feet</b>	<b>Projected Zone</b>	<b>IFR Fee +/- miles (1)</b>
Rosetta	Buffalo Lake 5-16-36-9 VT	2/18/2011	7,419	Bakken	3.5
Anschutz	SW Browning 1-8-32-11HZ	2/18/2011	12,552	Cone	1.0
Newfield	Tribal Snowshoe 1-13-36-11 HZ	2/22/2011	11,639	Bakken	1.2
Newfield	Tribal Whitesands 1-19-31-9 HZ	2/22/2011	12,085	Bakken	3.0
Rosetta	Simonson 1-34-36-8 VT	2/28/2011	6,600	Souris	5.5
Newfield	Aimsback 1-7-33-7 HZ	4/11/2011	10,375	Bakken	0.5
Rosetta	Tribal Riverbend 4-7-36-9 HZ	5/6/2011	10,970	Bakken	3.5
Rosetta	Tribal Riverbend 12-13-37-9 HZ	6/6/2011	9,965	Bakken	1.2
Anschutz	Pine Ridge 2-26-36-13 HZ	6/21/2011	13,538	Cone	1.5
Rosetta	Simonson Farms 1-34-36-8 HZ	6/23/2011	10,036	Bakken	2.5
Rosetta	Tribal Big Rock 29 – 37- 6 HZ	7/8/2011	9,028	Bakken	2.0
Anschutz	White Calf 1-31-31-10 HZ	10/2011	12,046	Flood	.50
Anschutz	Whitecalf 1-4-30-10 HZ	Q3/2011	N/A	N/A	.25
Anschutz	Whitecalf 1-3-30-10 HZ	Q3/2011	N/A	N/A	.35
Anschutz	Whitecalf 1-3-30-11 HZ	9/2011	N/A	N/A	3.0
Newfield	Meadowlark 1-26-36-11 HZ	8/17/2011	13,852	Devonian	2.2
Rosetta	Coyote Springs 18-34-6 HZ	8/17/2011	9,065	Bakken	0.05
Anschutz	Pine Ridge 2-14-37-13 HZ	9/15/2011	11,023	Potlach	1.5
Newfield	Rumney 1-21-37-11 VT	Q3/2011	N/A	Bakken	.25

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Newfield	Sacred Pipe 1-21-35-9 VT	Q3/2011	N/A	Bakken	1.5
Newfield	Gustafason 1-13PH-31-9 HZ	9/16/2011	8,247	Cambrian	1.0
Primary	Rockport 16-19-27-6 VT	9/16/2011	5,000	Duprow	.50
Primary	Spring Hill 14-34-27-6 VT	9/30/2011	5,000	Duprow	.75
Anschutz	SW Browning 1-28H-31-10 HZ	10/30/2011	9,568	Cone	.25
Anschutz	Red Blanket 1-14H-33-12 HZ	10/21/2011	15,860	Cone	2.5
FX Energy	3 wells – locations N/A	Q3/2011	N/A	Bakken	2.5

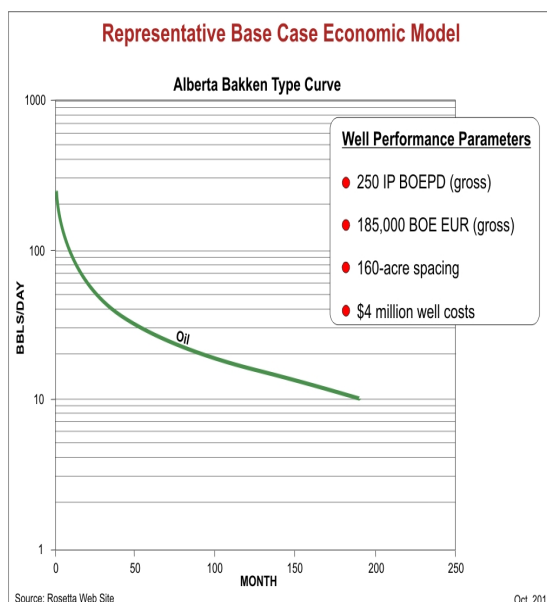
- (1) Approximate miles to fee lease boundary  
(2) HZ ~ Horizontal well VT ~ Vertical well  
(3) N/A ~ data on zone(s) being tested is not available

## S.W. Alberta wells June 1 to Nov 15, 2011

Company	Well W4M	Date	Licensed Depth meters	Projected Zone	IFR Land +/- miles	Class
Murphy	6-10-3-21	6/2011	3480	Wabamun	16	HZ -Out
Shell	14-4-2-22	6/2011	3995	Wabamun	10	HZ-NFW
Shell	16-2-2-24	6/2011	4550	Wabamun	8.5	HZ-NFW
Murphy	14-24-3-21	6/2011	3421	Wabamun	16	HZ-out
Dee Three	16-3-2-20	6/2011	2660	Bakken	9.5	Dev-oil
Shell	14-25-1-22	6/2011	4000	Wabamun	5.5	HZ-NPW
Murphy	8-24-3-21	8/2011	4030	Wabamun	18	HZ-Out
Shell	14-32-1-24	8/2011	4229	Wabamun	6.0	HZ-NFW
Crescent Pt	14-23-2-21	8/2011	3200	Bakken	12	HZ-NFW
Connaught	13-8-1-21	9/2011	3280	Rundle	4.5	HZ-Out
Gryphon	4-35-1-20	9/2011	2950	Livingstone	7.5	HZ- Dev
Crescent Pt	1-9-2-21	9/2011	3200	Wabamun	6.8	HZ NFW
Connaught	6-19-1-21	10/2011	2760	Rundle	8.5	HZ-Out
Shell	2-28-1-23	11/2011		Big Valley	4.0	HZ NFW

HZ= horizontal well, NFW=new field wildcat, Out= outpost well, NPW=new pool wildcat

Rosetta recently published base case estimates for a typical Bakken well on the play. They estimate that well with a 4,000-foot horizontal section and 16 frac-stages should commence production at 250 bbls oil per day and recover 185,000 Bbls. For the purpose of running illustrative economics we used this base case and ran sensitivities for a 12.50% and a 16.66% gross overriding royalty.



**ILLUSTRATIVE ECONOMICS  
BAKKEN PETROLEUM SYSTEM**  
160 acre spacing, Glacier County Montana

Contingent Resource Estimate  
12.50% Fee Title Royalty

Case	IP Gross BOPD	Gross Barrels	IFR Future Net Revenue	NPV - 10% IFR Net
Low Estimate	210	150,000	\$1,615,000	\$954,000
Best Estimate	250	185,000	\$2,015,000	\$1,156,000
High Estimate	320	250,000	\$2,763,000	\$1,525,000

Contingent Resource Estimate  
16.66% Fee Title Royalty

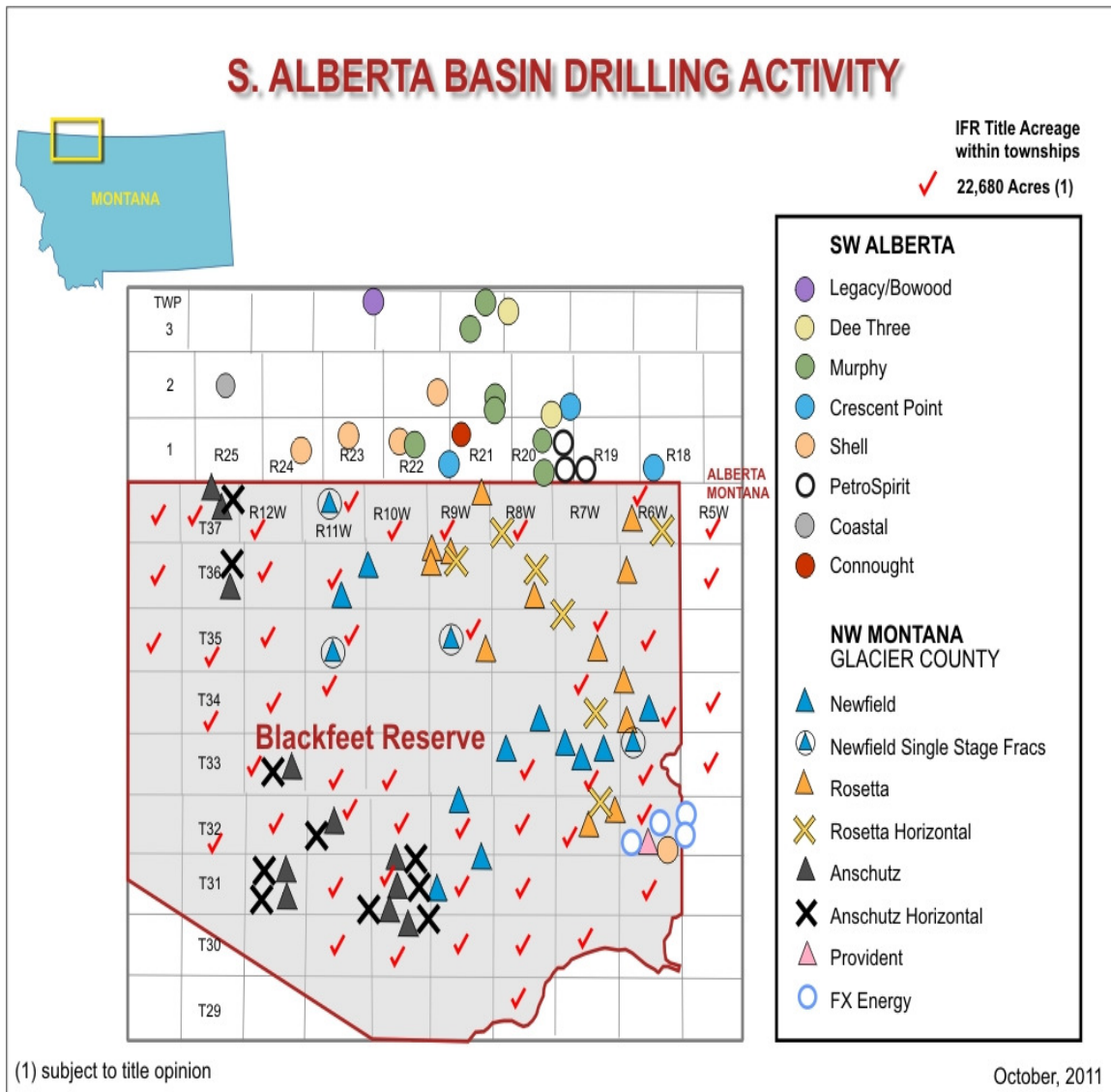
Case	IP Gross BOPD	Gross Barrels	IFR Future Net Revenue	NPV - 10% IFR Net
Low Estimate	210	150,000	\$2,156,000	\$1,284,000
Best Estimate	250	185,000	\$2,695,000	\$1,550,000
High Estimate	320	250,000	\$3,692,000	\$2,660,000

Notes:  
1) McDaniel price forecast October 2011  
2) Decline curves per Rosetta October 2011 forecast

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In Teton County, Primary Petroleum Company USA Inc. have obtained permits for two vertical wells. The wells are located approximately 12 miles south of the Blackfeet Reservation in T27N – R6W; IFR owns fee acreage adjacent to the Primary 16-19-27N-6W well.

On the Alberta side of the play in townships 1 - 3 ranges 18 - 25 W4M immediately north the Montana border operators have licensed 31 exploration wells as follows; Antelope (1) Crescent Point (3), Connaught (5), Canadian Coastal (1), Dee Three (2), Legacy/Bowood (1), Murphy Oil (8) Petrospirit (3) and Shell Canada (7). The prospective tight oil targets in SW Alberta include the Second White Specks, Banff, Exshaw, Big Valley and Stettler zones. IFR has a good spread of fee acreage located in township 37N – ranges 5W to 14W (excluding range 7W) which is the northern most township in Montana that adjoins Alberta.



There are multiple prospective tight oil targets in the Southern Alberta Basin that are currently being evaluated by industry. As depicted on the above map many of the wells on both sides of the border offset IFR's fee land. To date operators have received drilling permits for more than 90 wells on the Southern Alberta Basin resource play. Between land purchases and drilling costs operators have committed in excess of \$650 million accessing the plays potential.

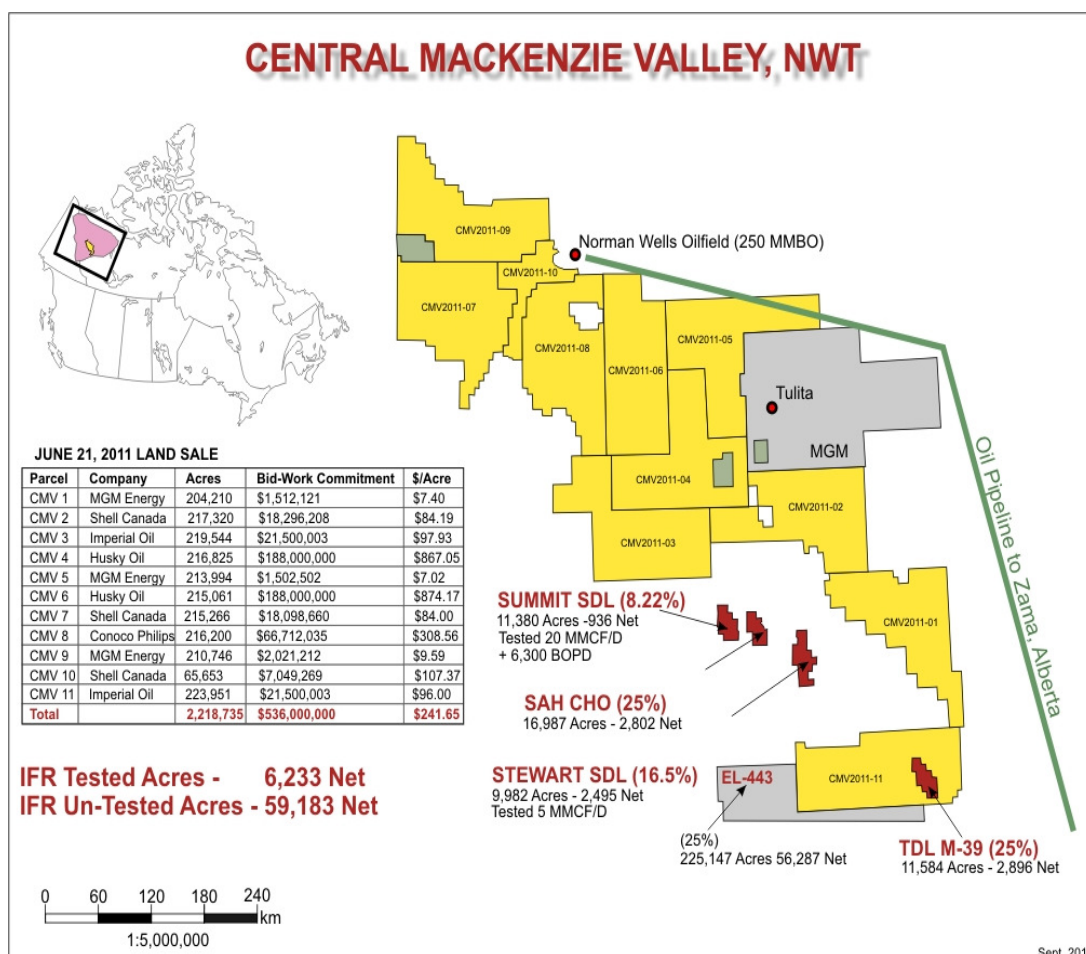
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## Central Mackenzie Valley, NWT

In July 2011 the Minister for the Department of Indian Affairs and Northern Development awarded eleven exploration licenses covering approximately 2,218,735 acres in the Central Mackenzie Valley, NWT ("CMV"). IFR posted, and bid for CMV 11, our bid was not successful and the license was awarded to Imperial Oil for a work commitment of \$21.5 million. The land sale garnered total work commitments of \$534 million, which is the largest dollar amount committed for work programs at any land sale held to date.

Subsequent to the land sale Conoco-Philips Canada Resources Corp. and MGM Energy Corp. indicated that they plan to drill exploration wells to evaluate unconventional liquids rich gas resource prospects. Husky Oil Operations plan to drill two exploration wells this winter to test unconventional tight oil resource prospects.

The company's properties in the CMV include an interest three Significant Discovery Licenses ("SDL"), two freehold parcels and one exploration license. The SDL lands cover 21,362 gross tested acres (3,430 net) one freehold parcel covers 16,987 gross tested acres (2,802 net) and our unevaluated lands encompass 236,730 gross acres (59,183 net). The SDL acreage does not expire and nor will the freehold acreage if annual rentals are paid. Husky Oil Operations Ltd. is the operator of our CMV acreage.



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## ***Alderson – south east Alberta***

The Company operates five producing oil wells and an oil battery located in the Alderson area of south-east Alberta. In Q3 a production optimization plan was completed resulting in production increasing from +/-25 BOPD in June 2010 to +/-40 BOPD in July/Aug 2011.

## ***Mannyberries – south east Alberta***

At the July 28<sup>th</sup> Alberta land sale the Company acquired an additional 480 acres for a cost of \$24,000. The Company now holds a 100% interest in 1,120 acres. The acreage is prospective for oil in the Sawtooth and Sunburst channel sands.

## **Liquidity, capital resources and financing activities**

### ***Working Capital***

At September 30, 2011, cash and cash equivalents were \$4,106,725 (June 30, 2011 - \$5,986,140) and working capital was \$4,375,000 (June 30, 2011- \$5,901,525). At September 30, 2011 the Company had restricted cash securing letters of credit in the amount of \$374,305; the letters of credit secure work deposits on the Company's Northwest Territories Exploration Licenses. At December 31, 2010 the Company set up a provision for EL-441 in the amount \$266,365 (2009 - \$68,750 for EL-445). These licenses expired in May 2011 and the deposits in the amount of \$266,365 and \$68,750 respectively were forfeited.

The decrease in working capital at September 30, 2011 is the result of cash used to purchase freehold mineral titles located in north-west 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 ongoing basis and believes that its approach, given the relative size of the Company is reasonable. As at September 30, 2011, the Company's capital as defined above was approximately \$4,215,695 (December 31, 2010 – \$6,771,180).

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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, iv) obtaining debt financing v) income from leasing its Montana fee lands, vi) pooling or unitizing the Company's fee acreage in Montana or a combination of these steps.

**Adoption of International Financial Reporting Standards**

On January 1, 2011, the Company adopted IFRS for financial reporting purposes, using a transition date of January 1, 2010. The unaudited interim condensed financial statements for the three months ended September 30, 2011, including required comparative information, have been prepared in accordance with IAS 34, as issued by the IASB. Except as noted in the Summary of Quarterly Results section of this MD&A, 2010 comparative information has been prepared in accordance with IFRS. Reconciliations between Canadian GAAP and IFRS can be found in Note 17 of the unaudited interim condensed financial statements for the three months ended September 30, 2011.

The adoption of IFRS has not had an impact on the Company's operations, strategic decisions or cash flow. The most significant area of impact was the adoption of the IFRS accounting policies relating to property, plant and equipment, and decommissioning liabilities. Further information on the impact of converting to IFRS is provided in the Critical Accounting Policies section of this MD&A and in Notes 3 and 17 of the Company's unaudited interim condensed financial statements for the three months ended September 30, 2011.

**Summary of First Quarter Results**

Selected financial information:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Statement of operations</b>				
Sales volumes - BOE/ day (Canada)	48	26	36	28
Production volumes - BOE/ day (Canada)	44	31	35	28
Oil revenues, net (Canada)	\$ 254,825	\$ 117,470	\$ 575,260	\$ 345,390
Interest income from continuing operations	\$ 7,780	\$ 1,055	\$ 25,880	\$ 2,795
Net earnings (loss) and comprehensive loss				
Net earnings (loss) from continuing operations	\$ (29,550)	\$ (76,380)	\$ (375,655)	\$ (1,000,410)
Net loss for discontinued operations	\$ -	\$ -	\$ -	\$ (112,065)
Net earnings (loss) and comprehensive loss	\$ (29,550)	\$ (76,380)	\$ (375,655)	\$ (1,112,475)
Net earnings(loss) per share				
Net loss from continuing operations per share	\$ -	\$ (0.001)	\$ (0.006)	\$ (0.017)
Net loss from discontinued operations per share	\$ -	\$ -	\$ -	\$ (0.002)
Net loss per share	\$ -	\$ (0.001)	\$ (0.006)	\$ (0.019)
<b>Cash flow</b>				
Net cash provided (used in )				
Operating activities	\$ (1,820)	\$ (77,830)	\$ (368,770)	\$ (641,240)
Investing activities	\$ (1,877,595)	\$ 24,500	\$ (2,337,695)	\$ (201,900)
Financing activities	\$ -	\$ -	\$ -	\$ 3,788,970

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	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>	<u>September 30,</u> <u>2010</u>
<b>Balance sheet</b>			
<b>Assets of Continuing operations</b>			
Exploration and evaluation assets	\$ 8,666,825	\$ 6,491,090	\$ 8,242,315
Property and equipment	\$ 906,730	\$ 1,009,750	\$ 1,766,420
Total assets	\$ 14,462,870	\$ 15,257,360	\$ 17,945,340
Working capital	\$ 4,375,000	\$ 6,590,615	\$ 7,170,570

**Summary of Alderson Operations**

	<b>Three months ended</b>		
	<u>September 30,</u> <u>2011</u>	<u>June 30, 2011</u>	<u>September 30,</u> <u>2010</u>
Sales volumes (Bbl/day)	48	34	26
Production volumes (Bbl/day)	44	35	31
Oil Sales	\$ 310,790	\$ 242,315	\$ 154,525
Royalties	55,965	50,890	37,055
Net Revenues	254,825	191,425	117,470
Operating expenses	82,545	116,025	57,685
Net Income	\$ 172,280	\$ 75,400	\$ 59,785
Oil Sales (\$/BBL)	\$ 69.82	\$ 79.34	\$ 67.34
Operating costs (\$/BBL)	\$ 18.55	\$ 37.99	\$ 30.95
Depletion per BOE	\$ 10.41	\$ 10.42	\$ 17.88

- Sales volumes for the three months ended September 30, 2011 were 48 Bbl/day a 41.18% increase as compared to 34 Bbl/day for the second quarter of 2011 (Q-3 2010 – 26 Bbl/day)
- Increase in sales volumes in the third quarter of 2011 is due to increased production resulting from a field maintenance program.
- Oil revenue in Q3, 2011 was \$310,790 an increase of 28.26% as compared to Q2, 2011 at \$242,315 (Q3, 2010 - \$154,525)
- The increase in oil revenues can be attributed to the increase in sales volumes in the period mitigated by a 12.00% decrease in oil price (Q2, 2011 - \$79.34 per barrel, Q3, 2011 - \$69.82 per barrel)
- In Q3, 2011 the Company paid royalties of \$55,965 a 9.97% increase as compared to \$50,890 for Q2, 2011 (Q3, 2010 - \$37,055). The increase in royalties is consistent with the increase in production in the period.
- Operating expenses in the third quarter of 2011 were \$82,545 or \$18.55 per Bbl as compared to \$116,025 or \$37.99 in Q2, 2011 (Q3, 2010 - \$57,685 or \$30.95 per Bbl)
- The decrease in operating expenses per BBL in Q3, 2011 is due increased production coupled with a decrease in expenses in the quarter.

**Interest income**

- In Q3, 2011 interest income from short term investments was \$7,780 (Q-2, 2011 - \$4,725, Q3, 2010 - \$1,055) the increase was due to an increase in interest rate received on funds invested in the period.

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***Depletion, depreciation and impairments***

Depletion, depreciation and impairments for the three months ended September 30, 2011 and 2010 consist of the following

<b>Depletion, depreciation and impairments</b>	<b>Sept.30, 2011</b>	<b>Sept. 30, 2010</b>
Depletion of oil and gas properties	\$ 41,675	\$ 51,110
Depreciation of equipment	565	720
	<b>\$ 42,240</b>	<b>\$ 51,830</b>

- Depletion of oil and gas properties for the three months ended September 30, 2011 was \$26,005 or \$10.41 per Bbl as compared to \$35,535 or \$10.42 per Bbl in Q2, 2011. (Q3 -2010 \$51,110 or \$17.65 per Bbl)
- At September 30, 2011 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, 2010. As a result there was no impairment of oil and gas properties recorded in Q3, 2011 (Q3, 2010- \$Nil)
- The carrying value of exploration and evaluation properties of \$8,666,825 at September 30, 2011 (September 30, 2010 - \$8,242,315, December 31, 2010 - \$6,491,090) have been evaluated as of September 30, 2011 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 an impairment of \$1,600 existed for the period ended September 30, 2011 (June 30, 2011 - \$1,600, September 30, 2010 - \$534,450)

***General and administrative expenses***

<b>Three months ended:</b>	<b>September 30, 2011</b>	<b>June 30, 2011</b>	<b>September 30, 2010</b>
Investor relations	\$ (2,290)	\$ 18,260	\$ -
Filing and transfer fees	10,440	7,565	9,450
Professional fees	20,140	50,230	4,120
Consulting fees - gross	55,955	63,960	45,030
Consulting fees - capitalized	-	-	(6,240)
Rent and office costs	36,135	36,965	22,175
	<b>\$ 120,380</b>	<b>\$ 176,980</b>	<b>\$ 74,535</b>

- In Q3, 2011 general and administrative expenses were \$120,380, a decrease of \$56,600 or 31.98% as compared with \$176,980 in Q2, 2011 (Q3, 2010 - \$74,535).
- The increase in G&A in Q2, 2011 can be attributed to costs associated with the Company's yearend audit, costs incurred for the annual general meeting and for professional fees incurred with respect to purchase of mineral title interests in north-west Montana.
- For the nine months ended September 30, 2011 total general and administrative expenses were \$402,930 which is consistent with \$401,450 for the same period in 2010.

***Net loss***

<b>Three months ended:</b>	<b>Q-3 2011</b>	<b>Q-2 2011</b>	<b>Q-3 2010</b>
Net loss from continuing operations	\$ (29,550)	\$ (213,150)	\$ (76,380)
Net loss from discontinued operations	-	-	-
<b>Consolidated net loss</b>	<b>\$ (29,550)</b>	<b>\$ (213,150)</b>	<b>\$ (76,380)</b>
<b>Loss per share</b>			
Continuing operations	\$ (0.00)	\$ (0.004)	\$ (0.001)
Discontinued operations	\$ (0.00)	\$ -	\$ -
<b>Loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.004)</b>	<b>\$ (0.001)</b>

- The decreased loss in Q3, 2011 as compared with Q3, 2010 is the result of increased oil sales in 2011.

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**Summary of Quarterly Results**

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

<b>Quarter ended:</b>	<b>Dec 31, 2009</b>	<b>Mar 31, 2010</b>	<b>June 30, 2010</b>	<b>Sept 30, 2010</b>
<b>Statement of operations</b>				
Sales volumes - BOE/ day (Canada)	36	28	30	26
Production volumes - BOE/ day (Canada)	34	33	25	31
Oil revenues, net (Canada)	\$ 180,885	\$ 148,225	\$ 151,825	\$ 111,445
Net earnings (loss) and comprehensive loss				
Net earnings (loss) from continuing operations	\$ (2,294,220)	\$ (165,860)	\$ (651,115)	\$ (100,335)
Net loss for discontinued operations	(6,764,310)	(104,255)	(7,810)	-
Net earnings (loss) and comprehensive loss	<u>\$ (9,058,530)</u>	<u>\$ (270,115)</u>	<u>\$ (658,925)</u>	<u>\$ (100,335)</u>
Net earnings(loss) per share				
Net loss from continuing operations per share	\$ (0.04)	\$ (0.04)	\$ (0.01)	\$ -
Net loss from discontinued operations per share	\$ (0.00)	\$ (0.11)	\$ -	\$ -
Net loss per share	\$ (0.04)	\$ (0.15)	\$ (0.01)	\$ -
<b>Balance Sheet</b>				
Total assets	\$ 20,972,600	\$ 20,719,095	\$ 19,708,385	\$ 19,531,265
Working capital	\$ 7,865,635	\$ 7,646,280	\$ 7,310,610	\$ 7,186,425
Refundable Deposits	\$ 640,670	\$ 640,670	\$ 640,670	\$ 640,670
Funds flow from operations	\$ (146,220)	\$ (126,625)	\$ (436,995)	\$ (77,935)
<b>Quarter ended:</b>	<b>Dec 31, 2010</b>	<b>March 31, 2011</b>	<b>June 30, 2011</b>	<b>Sept 30, 2011</b>
<b>Statement of operations</b>				
Sales volumes - BOE/ day (Canada)	28	26	34	48
Production volumes - BOE/ day (Canada)	28	27	35	44
Oil revenues, net (Canada)	\$ 145,940	\$ 122,665	\$ 191,425	\$ 254,825
Net earnings (loss) and comprehensive loss				
Net earnings (loss) from continuing operations	\$ (5,192,815)	\$ (133,070)	\$ (213,150)	\$ (29,550)
Net loss for discontinued operations	(1,185)	-	-	-
Net earnings (loss) and comprehensive loss	<u>\$ (5,194,000)</u>	<u>\$ (133,070)</u>	<u>\$ (213,150)</u>	<u>\$ (29,550)</u>
Net earnings(loss) per share				
Net loss from continuing operations per share	\$ (0.09)	\$ (0.00)	\$ (0.004)	\$ -
Net loss from discontinued operations per share	\$ (0.00)	\$ -	\$ -	\$ -
Net loss per share	\$ (0.09)	\$ (0.00)	\$ (0.004)	\$ -
<b>Balance Sheet</b>				
Total assets	\$ 15,283,980	\$ 15,000,920	\$ 14,543,495	\$ 14,462,870
Working capital	\$ 6,457,185	\$ 6,140,410	\$ 5,901,525	\$ 4,375,000
Refundable Deposits	\$ 640,670	\$ 640,670	\$ 374,305	\$ 374,305
Funds flow from operations	\$ (251,820)	\$ (187,010)	\$ (179,725)	\$ (1,820)

(1) Results reported for 2011 are in accordance with IFRS.

(2) Results reported for 2010 and 2009 are in accordance with Canadian GAAP and are not to be compared to the results presented in accordance with IFRS.

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**Financial Instruments**

As disclosed in Note 3 to the unaudited condensed consolidated interim financial statements at September 30, 2011, 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, 2011 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, 2011		December 31, 2010	
	Carrying Value (\$)	Fair Value (\$)	Carrying Value (\$)	Fair Value (\$)
<b>Financial assets:</b>				
Receivables	\$ 113,245	\$ 113,245	\$ 111,010	\$ 111,010
<b>Total financial assets</b>	<b>\$ 113,245</b>	<b>\$ 113,245</b>	<b>\$ 111,010</b>	<b>\$ 111,010</b>
<b>Financial liabilities</b>				
Payables and accruals	\$ 156,310	\$ 156,310	\$ 607,600	\$ 607,600
<b>Total financial liabilities</b>	<b>\$ 156,310</b>	<b>\$ 156,310</b>	<b>\$ 607,600</b>	<b>\$ 607,600</b>

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, 2011 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, 2011 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.

<b>Total receivables:</b>	<b>0 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Greater than 90 days</b>
\$ 113,245	\$ 100,255	\$ 12,999	\$ -	\$ -

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- 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, 2011.
- d) **Foreign currency risk:** The Company is exposed to foreign currency risk as the Company holds cash and cash equivalents on hand that are denominated in United States dollars. At September 30, 2011, the carrying amount of the Company's foreign currency denominated net monetary assets was approximately C\$307,955. Assuming all other variables remain constant, a fluctuation of one cent in the exchange rate of the Canadian dollar to the U.S. dollar would not result in a material change in income.
- 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, 2011, the Company's accounts payable and accrued liabilities were \$156,310, all of which are due for payment within normal terms of trade which is generally between 30 and 60 days. The Company regularly reviews its accounts payable balances and follows up on amounts past due. The Company's financial liabilities are summarized below:

<b>Total payables:</b>	<b>0 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Greater than 90 days</b>
\$ 156,310	\$ 45,470	\$ 13,390	\$ 2,105	\$ 95,345

**Investing Activities**

<b>For the three months ended</b>	<b>Sept. 30, 2011</b>	<b>June 30, 2011</b>	<b>Sept. 30, 2010</b>
Canada	\$ 49,310	\$ 56,800	\$ 112,630
United States	1,794,840	8,410	-
	\$ 1,814,150	\$ 65,210	\$ 112,630

- Capital expenditures for the three months ending September 30, 2011 were \$1,814,150 of which \$1,764,840 is related to a deposit to purchase mineral titles on freehold lands located in north-west Montana, USA and \$49,310 is related to annual lease rentals in the Central Mackenzie Valley, NWT.

**Obligations**

- The Company is party to an agreement to lease its premises until December 31, 2014. The annual rent of premises consists of a minimum rent payment of \$53,980 plus occupancy costs for 2011 and \$43,120 plus occupancy cost per year for 2012 to 2014.
- The Company has established a Royalty Incentive Agreement for employees, consultants and senior executives that are also directors. Under the plan, the compensation committee issues units on an annual basis to employees, consultants and directors. The units entitle the holder to receive an annual payment based on 2% of the Company's annual production revenue, net of transportation and processing fees. Under the terms of the agreement, once the Company has recovered payout of 100% of its cumulative annual capital expenditures from licenses and lands owned by the Company, the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees. At December 31, 2010, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson oil property and subsequent payments calculated at 4% of the Company's annual production revenue less transportation and processing fees.
- The Company is obligated to pay vendors a sum of US\$4,181,000 if a satisfactory title opinion is obtained on 22,680 mineral title acres located in north-west Montana.

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## 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 September 30, 2011 are provided below, these costs are included in general and administrative expenses on the consolidated condensed statements of operations and comprehensive loss at September 30, 2011:

- Compensation paid to executive officers was \$63,300 (2010 - \$149,250) of which \$Nil (2010 - \$18,000) was capitalized to property and equipment for the period ending September 30, 2011.
- For the period ending September 30, 2011 royalties of \$27,855 (2010 - \$92,610) were paid to employees and consultants pursuant to the Company's Royalty Incentive Plan. Royalties paid in the period ended June 30, 2010 include an amount of \$75,795 covering the sale of the Company's North Sea operation.

## Other Items

### *Outstanding shares, options and warrants*

The Company's share capital structure is as follows:

<b>As of:</b>	<b>September 30, 2011</b>	<b>November 22, 2011</b>
Common shares outstanding	59,578,965	59,578,965
Options outstanding	5,231,500	5,231,500
Fully diluted	64,810,465	64,810,465

Additional details on the shares, options and warrants outstanding at September 30, 2011 are available in the Notes to the September 30, 2011 interim consolidated condensed 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:

### *Adoption of IFRS*

The Company has prepared its interim condensed consolidated financial statements for the three months ended September 30, 2011 in accordance with IAS 34 and IFRS 1 – *First-time Adoption of IFRS*. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has not changed the Company's business activities or actual cash flow; however, it has resulted in adjustments to the Company's financial statements.

The areas that were most impacted by the transition to IFRS are accounting for exploration and evaluation assets, accounting for property, plant and equipment, asset impairment testing, and accounting for income taxes. Refer to Note 3 of the Company's unaudited interim consolidated condensed financial statements for the Company's detailed IFRS accounting policies.

In order to allow the users of the financial statements to better understand the impact of the change to IFRS, the Company's Canadian GAAP balance sheets at January 1, 2010, September 30, 2010 and December 31, 2010, and the Company's consolidated statements of operations and comprehensive loss for the three months ended September 30, 2010 and for the year ended December 31, 2010 have been reconciled to IFRS.

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The following provides a summary reconciliation of the Company's 2010 Canadian GAAP and IFRS results. Further discussion of the significant IFRS accounting policy changes can be found in Note 17 of the Company's Interim Consolidated Condensed Financial Statements.

<b>Summary of Net Earnings Reconciliation</b>	<b>2010</b>				
	<b>Q-1</b>	<b>Q-2</b>	<b>Q-3</b>	<b>Q-4</b>	<b>2010</b>
Net loss - GAAP	\$ (270,115)	\$ (658,925)	\$ (100,335)	\$ (5,194,000)	\$ (6,223,375)
<b>Additions (deductions):</b>					
Exploration and evaluation costs	24,450	167,080	2,000	(1,624,635)	(1,431,105)
Depletion	(30,100)	(33,500)	(13,700)	(144,150)	(221,450)
Adjust investment in subsidiary to equity method of consolidation	(105)	(105)	(105)	(23,845)	(24,160)
Impairment of property and equipment	-	-	-	240,635	240,635
Decommissioning liabilities - accretion	(9,410)	(10,010)	(10,900)	(11,445)	(41,765)
	(15,165)	123,465	(22,705)	(1,563,440)	(1,477,845)
Net loss - IFRS	\$ (254,950)	\$ (782,390)	\$ (77,630)	\$ (3,630,560)	\$ (4,745,530)

**Recent Accounting Pronouncements**

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS. As of January 1, 2013, the Company will be required to adopt IFRS 9 - *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

**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.

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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;
- treatment under governmental regulatory regimes and tax laws and;
- third party drilling, testing and production results and;
- satisfactory title opinions on the Company's acreage.

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;
- the Company's ability to obtain financing on acceptable terms, as required and;
- Results of wells drilled by third parties in the vicinity of the Corporations acreage;
- the Company obtains satisfactory title opinion on 22,680 mineral acres located in north-west Montana.

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, first nations, 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](http://www.sedar.com)