International Frontier Resources Corporation
Management's Discussion and Analysis
2013 Annual and Fourth Quarter Results

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

The following is management's discussion and analysis ("MD&A") of International Frontier Resources Corporation's ("International Frontier" or "IFR" or 'Frontier' or the "Corporation" or the "Company") operating and financial results for the year ended December 31, 2013, as well as information concerning the Company's future outlook based on currently available information. The MD&A has been prepared by management as at April 8, 2014 in accordance with IFRS and should be read in conjunction with the audited financial statements as at December 31, 2013 and 2012 together with accompanying notes, the Statement of Reserves Data and Other Oil and Gas Information contained in the Company's annual information form dated December 31, 2013. This MD&A contains forward-looking statements, the definitions of which are defined herein.

The annual financial statements and accompanying notes have been audited by the Company's independent external auditors and approved by the Audit Committee and the Board of Directors.

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 December 31, 2013 cash and cash equivalents were $3,002,520 (December 31, 2012 $3,456,380), and working capital was $2,734,545 (December 31, 2012 - $3,018,180). At December 31, 2013 the Company had restricted cash securing a letter of credit in the amount of $300,000 (2012 - $Nil); the letter of credit secures a work deposit on the Company's Northwest Territories Exploration License 495.

The decrease in working capital at December 31, 2013 is the result of an assignment of cash totaling $300,000 provided by the Company on the irrevocable standby letter of credit for the Northwest Territories Exploration License 495 and capital expenditures totaling $144,780 for exploration and evaluation assets, $61,305 for property and equipment and $140,070 costs accrued in 2012 and paid in 2013 with respect to final closing of purchase of Montana mineral titles. These costs were mitigated by proceeds of $260,000 received with respect to a non-brokered private placement for the issuance of 4,000,000 common shares in the fourth quarter of 2013.

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 shareholders' equity, cash and cash equivalents, and restricted cash less accounts payable and current portion of decommissioning 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 December 31, 2013, the Company's capital as defined above was approximately $2,920,805 (December 31, 2012 – $2,921,040).

The Corporation has a number of options available to it if existing working capital does not cover future capital expenditures including, but not limited to, i) revising its capital expenditure plans ii) selling or leasing mineral acreage in Montana iii) selling 100% interest in a property to a third party, iv) obtain joint venture financing from a third party, v) issuing new shares vi) obtaining debt financing, or a combination of these options.

Annual Results

The following table summarizes results for the years ended December 31,:

	2013	2012	2011
Statement of operations			
Sales volumes - BOE/ day (Canada)	39	38	37
Production volumes - BOE/ day (Canada)	39	38	37
Oil revenues, after royalties (Canada)	$ 792,800	$ 752,390	$ 770,850
Interest income from continuing operations	$ 26,280	$ 27,405	$ 36,105
Net loss and comprehensive loss	$ (267,190)	$ (575,440)	$ (673,340)
Loss per share	$ (0.004)	$ (0.01)	$ (0.01)
Cash flow			
Net cash provided (used in)			
Operating activities	$ (67,705)	$ (502,865)	$ (229,245)
Investing activities	$ (646,155)	$ (76,685)	$ (2,546,015)

	2013	2012	2011
Balance sheet			
Assets			
Exploration and evaluation assets	$ 9,519,730	$ 9,374,950	$ 9,814,875
Property and equipment	$ 1,045,945	$ 1,101,270	$ 1,109,615
Total assets	$ 14,237,655	$ 14,282,915	$ 15,727,840
Working capital	$ 2,734,545	$ 3,018,180	$ 3,065,520
Investing Activities			
Exploration and evaluation assets			
Canada	$ 121,750	$ 104,595	$ 437,570
United States	$ 23,030	$ 63,000	$ 3,193,370
	$ 144,780	$ 167,595	$ 3,630,940
Property and equipment			
Canada	$ 61,305	$ 81,920	$ 76,610
United States	$ -	$ -	$ -
	$ 61,305	$ 81,920	$ 76,610

Summary of Alderson Operations

Twelve months ended	December 31, 2013	December 31, 2012
Sales volumes (Bbl/day)	39	38
Production volumes (Bbl/day)	39	38
Oil Sales	$ 1,038,785	$ 990,465
Royalties	245,985	238,075
Net Revenues	792,800	752,390
Operating expenses	377,120	439,930
Net Income	$ 415,680	$ 312,460
Oil Sales ($/BBL)	$ 71.99	$ 70.62
Operating costs ($/BBL)	$ 26.14	$ 31.37
Depletion per BOE	$ 10.73	$ 11.09

- Oil sales and production volumes in 2013 were 39 Bbl/day, which is consistent with 38 Bbl/day in 2012.
- Oil revenue in 2013 was $1,038,785 an increase of 4.88% as compared to $990,465 in 2012.
- Oil revenue in 2013 was higher due to a 1.94 % increase in oil prices and a 2.63% increase in sales volumes.
- In 2013 the Company paid royalties of $245,985,which is consistent with $238,075 in 2012.
- During the year the Company paid $40,505 (2012 - $39,500) to employees and consultants pursuant to the Company`s Royalty Incentive Plan.
- Operating expenses in 2013 were $377,120 or $26.14 per Bbl a decrease of 16.67% per Bbl as compared to $439,930 or $31.37 per Bbl in 2012.
- The decrease in operating expenses in 2013 was due to costs incurred for battery and pipeline upgrades in 2012.

Interest income

- In 2013 the Company earned interest income of $26,280 from short-term investments (2012 - $27,405).

Depletion, depreciation and impairments

Depletion, depreciation and impairments at December 31, 2013 and 2012 consist of the following;

Depletion, depreciation and impairments	Dec. 31, 2013	Dec. 31, 2012
Depletion of oil and gas properties	$ 154,315	$ 156,070
Impairment of oil and gas properties	-	-
Depreciation of Alderson Battery	9,580	9,475
Depreciation of equipment	2,735	1,775
	$ 166,630	$ 167,320

- Depletion of oil and gas properties for the year ended December 31, 2013 was $154,315 or $10.73 per Bbl that is consistent with $156,070 or $11.09 per Bbl in 2012.
- At December 31, 2013 an impairment test was performed which calculates the amount by which the carrying amount of capitalized costs related to producing properties exceeds the fair value of the reserves as estimated by the Company's reservoir engineers at December 31, 2013. As a result a $Nil (2012 - $Nil) impairment charge of petroleum and natural gas assets has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves in Canada.

Exploration and evaluation costs

- The carrying value of exploration and evaluation properties of $9,519,730 at December 31, 2013 (December 31, 2012 - $9,374,950) have been evaluated and it was determined that no costs had met the requirements to be transferred to property and equipment.
- These costs were also evaluated for impairment and it was determined that an impairment of $Nil existed at December 31, 2013 (December 31, 2012 - $Nil).

Accretion of asset retirement obligation

- Accretion of asset retirement obligations at December 31, 2013 were $19,285, an increase of $4,255 compared to $15,030 in 2012.
- Increase in accretion in 2013 is due to an increase in decommissioning liabilities in the fourth quarter of 2012.

General and administrative expenses

Twelve months ended		2013		2012
Investor relations	$	21,460	$	16,440
Filing and transfer fees		19,435		22,770
Professional fees		75,670		61,635
Consulting fees and salaries		248,600		230,425
Rent and corporate costs		149,995		147,800
	$	515,160	$	479,070

- In 2013 general and administrative expenses were $515,160 an increase of $36,090 or 7.53% as compared with $479,070 in 2012. The majority of the increase in G&A costs relates to the Company hiring a new President in Q4, 2013.

Share based compensation

- In the Q4, 2013 the Company granted a total of 1,125,000 stock options and recorded share based compensation costs of $59,110, calculated using the Black Scholes model.

Net loss

- For the year ended December 31, 2013 the Company recorded a net loss of $267,190 ($0.004 loss per share) as compared with $575,440 ($0.01 loss per share) at December 31, 2012.
- Increased loss at December 31, 2012 is a result of $233,945 in site reclamation costs incurred with respect to the Northwest Territories in the year.

Financial Instruments

As disclosed in Note 3 to the financial statements, 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 December 31, 2013 and 2012 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.

	December 31, 2013		Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 84,010	$ 84,010	$ -	$ 84,010
Reclamation deposits	$ 255,720	$ 255,720	$ -	$ 255,720
Held for trading				
Cash and cash equivalents	$ 3,002,520	$ 3,002,520	$ 3,002,520	$ -
Restricted cash on deposit	$ 300,000	$ 300,000	$ -	$ 300,000
	$ 3,642,250	$ 3,642,250	$ 3,002,520	$ 639,730
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 366,565	$ 366,565	$ -	$ 366,565
Total financial liabilities	$ 366,565	$ 366,565	$ -	$ 366,565

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 December 31, 2013 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 December 31, 2013 have been received subsequent to period end. The maximum exposure to loss arising from accounts receivable at any given time is equal to their total carrying amounts on the balance sheet.

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 84,010	$ 77,925	$ -	$ 6,085	$ -

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 December 31, 2013.

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

e) **Liquidity risk:** Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. At December 31, 2013 the Company's payables and accruals were $366,565 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
$ 366,565	$ 65,555	$ 5,620	$ 570	$ 294,820

Investing Activities

Exploration and evaluation assets

	Twelve months ended December 31,					
	2013			2012		
	Canada	United States	Total	Canada	United States	Total
Cash Expenditures	$ 121,750	$ 23,030	$ 144,780	$ 104,595	$ 63,000	$ 167,595
	$ 121,750	$ 23,030	$ 144,780	$ 104,595	$ 63,000	$ 167,595

- Capital expenditures in 2013 were $144,780 (2012 - $167,595) of which $121,750 or 85% (2012 – 62%) is related to activities in Canada and $23,030 or 15% (2011 – 38%) is related to the costs to acquire mineral titles in Northwest Montana, USA.
- At December 31, 2012, the Company accrued $961,040 with respect to the purchase of mineral titles in Glacier County, NW Montana USA. Final consideration to purchase the Montana Mineral Titles was paid and the deal was closed in Q1 2013.

Property and equipment

- During 2013 the Company incurred $61,305 (2012 - $81,920) in property and equipment costs. These costs are made up of $47,245 in leasehold improvements and $14,060 in geological and geophysical consulting fees with respect to the Company's Alderson property.

Obligations

- The Company is party to an agreement to lease its premises until October 31, 2016. The annual rent is $27,690 for 2014 and $28,350 plus occupancy costs for 2015 & 2016.
- 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, 2013, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson oil property.

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 year ending December 31, 2013 are provided below, these costs are included in general and administrative expenses on the statements of operations and comprehensive loss at December 31, 2013:

- Compensation paid to executive officers was $250,850 (2012 - $228,520). At December 31, 2013 royalties of $40,505 (2012 - $39,500) were paid to officers and consultants pursuant to the Company's Royalty Incentive Plan.

Summary of Fourth Quarter Results

Selected financial information:

	Three months ended, December 31, 2013	Three months ended, December 31, 2012	Three months ended, September 30 2013	Three months ended, September 30 2012
Statement of operations				
Sales volumes - BOE/ day (Canada)	43	41	38	33
Production volumes - BOE/ day (Canada)	43	40	38	32
Oil revenues, after royalties (Canada)	$ 200,760	$ 189,930	$ 235,525	$ 155,750
Interest Income	$ 7,675	$ 9,615	$ 5,510	$ 3,220
Net loss and comprehensive loss	$ (168,295)	$ (322,845)	$ (29,025)	$ (136,755)
Loss per share	$ (0.003)	$ (0.01)	$ (0.000)	$ (0.002)
Cash flow				
Net cash provided (used in)				
Operating activities	$ 85,525	$ (315,130)	$ (1,820)	$ (59,385)
Investing activities	$ (375,480)	$ 218,080	$ (32,930)	$ (68,695)

Summary of Alderson Operations

Three months ended	December 31, 2013	September 30, 2013	December 31, 2012
Sales volumes (Bbl/day)	43	38	41
Production volumes (Bbl/day)	43	38	40
Oil Sales	$ 263,125	$ 309,830	$ 248,940
Royalties	62,365	74,305	59,010
Net Revenues	200,760	235,525	189,930
Operating expenses	77,900	116,225	103,970
Net Income	$ 122,860	$ 119,300	$ 85,960
Oil Sales ($/BBL)	$ 66.00	$ 89.21	$ 66.70
Operating costs ($/BBL)	$ 19.12	$ 33.46	$ 27.87
Depletion per BOE	$ 9.80	$ 11.14	$ 11.32

- Sales volumes for the three months ended December 31, 2013 were 43 Bbl/day a 13.16% increase as compared to 38 Bbl/day for the third quarter of 2013 (Q4, 2012 – 41 Bbl/day)
- Oil revenue in Q4, 2013 was $263,125 a decrease of $46,705 or 15.07% as compared to $309,830 in Q3, 2013 (Q4, 2012 - $248,940)
- Decreases in volumes and revenues in the fourth quarter of 2013 are due to a 26.00% decrease in sales price mitigated by increased sales volumes in the period.
- In Q4, 2013 the Company paid royalties of $62,365 a decrease of 16.07% as compared to $74,305 in Q3, 2013 (Q4, 2012 - $59,010). The decrease in royalties is consistent with the decrease in sales revenues in the period.
- Operating expenses in the fourth quarter of 2013 were $77,900, a decrease of $38,325 or $14.34 per Bbl as compared to the third quarter of 2013 (Q4, 2012 - $103,970 or $27.87 per Bbl)

Interest income

- In Q4, 2013 interest income from short-term investments was $7,675 (Q3, 2013 - $5,510, Q4, 2012 - $9,615).

Depletion, depreciation and impairments

For the three months ended	December 31, 2013	September 30, 2013	December 31, 2012
Depletion of oil and gas properties	$ 39,160	$ 39,370	$ 42,000
Amortization of Alderson Battery	2,395	2,395	2,395
Impairment of oil and gas properties	-	-	(12,000)
Depreciation of equipment	1,635	345	315
	$ 43,190	$ 42,110	$ 32,710

- Depletion of oil and gas properties for the three months ended December 31, 2013 was $39,160 or $9.80 per Bbl, compared to $39,370 or $11.14 per Bbl in Q3, 2013. (Q4, 2012 $42,000 or $11.32 per Bbl)

Accretion of asset retirement obligation

- Accretion of asset retirement obligations for the three months ended December 31, 2013 was $5,460 compared to $5,425 in Q3, 2013 (Q4, 2012 - $3,720).

General and administrative expenses

Three months ended:	31-Dec-13	30-Sep-13	31-Dec-12
Investor relations	$ 7,090	$ 5,855	$ 900
Filing and transfer fees	4,845	775	1,480
Professional Fees	64,790	1,050	49,090
Consulting fees and salaries	82,775	47,875	64,650
Rent and corporate costs	51,945	29,395	41,930
	$ 211,445	$ 84,950	$ 158,050

- In Q4 general and administrative expenses were $211,445 an increase of $126,495 or 148.91% as compared with $84,950 in Q3, 2013 (Q4, 2012 - $158,050)
- The increase in G&A is due to increase in consulting fees in Q4 2013 along with year-end accruals for audit fees at December 31, 2013

Net loss

- For the three months ended December 31, 2013 the Company recorded a net loss of $168,295 ($0.003 loss per share) as compared to $29,025 ($0.00 loss per share) for Q3, 2013 (Net loss for Q4, 2012 - $322,845 or $0.01 loss per share)
- The increased loss in Q4 as compared with Q3 is a result of stock based compensation costs of $59,110 recorded in Q4, 2013 as a result of the issuance of stock options and warrants in the period and an accrual for year-end audit fees and 51-101 reserve report costs of $55,000

Summary of Quarterly Results

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

Quarter ended:	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec. 31. 2012
Statement of operations				
Sales volumes - BOE/ day (Canada)	40	39	33	41
Production volumes - BOE/ day (Canada)	40	41	32	40
Oil revenues, net (Canada)	$ 222,260	$ 184,450	$ 155,750	$ 189,930
Net loss and comprehensive loss	$ (53,675)	$ (62,165)	$ (136,755)	$ (322,845)
Net loss per share	$ (0.001)	$ (0.001)	$ (0.002)	$ (0.005)
Balance Sheet				
Total assets	$ 15,625,940	$15,074,790	$ 14,916,380	$ 14,282,915
Working capital	$ 3,014,555	$ 2,926,350	$ 2,775,875	$ 3,018,180
Restricted cash on deposit	$ 305,555	$ -	$ -	$ -
Funds flow from operations	$ (27,955)	$ (100,395)	$ (59,385)	$ (50,800)

Quarter ended:	March 31, 2013	June 30, 2013	Sept 30, 2013	Dec. 31. 2013
Statement of operations				
Sales volumes - BOE/ day (Canada)	40	37	38	43
Production volumes - BOE/ day (Canada)	39	36	38	43
Oil revenues, net (Canada)	$ 166,920	$ 189,595	$ 235,525	$ 200,760
Net loss and comprehensive loss	$ (31,535)	$ (38,335)	$ (29,025)	$ (168,295)
Net loss per share	$ (0.001)	$ (0.001)	$ (0.00)	$ (0.003)
Balance Sheet				
Total assets	$ 14,084,895	$13,999,290	$ 13,996,580	$ 14,237,655
Working capital	$ 2,998,075	$ 2,939,080	$ 2,924,675	$ 2,734,545
Restricted cash on deposit	$ -	$ -	$ -	$ 300,000
Funds flow from operations	$ (68,430)	$ (82,980)	$ (1,820)	$ 85,525

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	December 31, 2013	April 8, 2014
Common shares outstanding	63,578,965	63,578,965
Options outstanding	6,306,500	6,306,500
Fully diluted	69,885,465	69,885,465

Additional details on the shares and stock options outstanding at December 31, 2013 are available in the notes to the December 31, 2013 audited 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:

Changes in accounting policies and new pronouncements

i) IFRS 7 "Financial Instrument Disclosures" - Offsetting of Financial Assets and Liabilities requires an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangement son the entity's financial position. The retrospective adoption of this standard does not have any impact on the Company's financial statements.

ii) IFRS 10 "Consolidated Financial Statements" supersedes IAS 27 "Consolidation and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities." This standard provides a single model to be applied in control analysis for all investees, including special purpose entities. The retrospective adoption of this standard does not have any impact on the Company's financial statements.

iii) IFRS 11 "Joint Arrangements" divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting. The retrospective adoption of this standard does not have any impact on the Company's accounting for joint arrangements.

iv) IFRS 12 "Disclosure of Interests in Other Entities" combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The retrospective adoption of the annual disclosure requirements of this standard does not have a material impact on the Company's annual financial statements.

v) IFRS 13 "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value, and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this standard does not have any material impact on the Company's financial statements.

vi) IAS 27 "Separate Financial Statements" has been amended as a result of changes to IFRS 10. The retrospective adoption of these amendments does not have any impact on the Company's financial statements.

vii) IAS 28 "Investments in Associates and Joint Ventures" has been amended as a result of changes to IFRS 10 and IFRS 11. The retrospective adoption of these amendments does not have a material impact on the Company's financial statements.

Future Accounting Policy Changes

i) IAS 32 "Financial Instruments: Presentation"

This amendment provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014. These amendments will be applied by the Company on January 1, 2014 and the Company is currently assessing the effect if any on its financial statements.

ii) IAS 36 "Impairment of Assets"

In May 2013, the IASB issued amendments, which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. These amendments will be applied by the Company on January 1, 2014 and the adoption will only impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.

iii) Levies

In May 2013, the IASB issued IFRIC 21 "Levies," which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. IFRIC 21 is required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. IFRIC 21 will be applied by the Company on January 1, 2014. The Company is currently assessing and quantifying the effect if any on its financial statements.

iv) IFRS 9 "Financial Instruments"

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments." In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. 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.

In November 2013, the IASB issued the third phase of IFRS 9 which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporters to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. The Company does not employ hedge accounting for its risk management contracts currently in place. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 and has left this date open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 is still available for early adoption. The full impact of the standard on the Company's financial statements will not be known until the project is complete.

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 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. 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 Company'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 the Central Mackenzie Valley, NWT and in NW Montana 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.

Reserve Estimates

The production forecast and recoverable estimates contained in International Frontier's engineering report are only estimates and the actual production and ultimate recoverable reserves from the properties may be greater or less than the independent estimates of McDaniel & Associates Consultants Ltd. There is no certainty that it will be commercially viable to produce any portion of the contingent resources identified in the December 31, 2013 McDaniel & Associates report on the Company's assets in the Northwest Territories.

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived thereof, including many factors that are beyond the control of International Frontier. The reserve and cash flow information set forth herein represent estimates only. The reserves and estimated future net cash flow from the assets of International Frontier have been independently evaluated effective December 31, 2013 by McDaniel & Associates Consultants Ltd. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditure, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of International Frontier. Actual production and cash flows derived thereof will vary from these evaluations, and such variations could be material. The foregoing evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived thereof contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Contingent Resources

The resources assigned to the Company's properties have been classified as contingent. The Canadian Oil and Gas Evaluation Handbook (COGEH) 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 Company'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 NWT contingent resource report date 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 Company causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings that might be made available to the Company 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 affect 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 Company 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 Company.

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 affect 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 affect 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;
- 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 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 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 are available on SEDAR at www.sedar.com