



International Frontier Resources Corporation
Management Discussion and Analysis
For the nine months ended September 30, 2021

International Frontier Resources Corporation (the "Company") is an independent Canadian publicly traded company, the principal business of which is to acquire, develop, exploit and produce oil and natural gas in Mexico.

The following is management's discussion and analysis ("MD&A") of IFR's operating and financial results for the period ended September 30, 2021, as well as information concerning the Corporation's future outlook based on currently available information. The MD&A has been prepared by management as at November 26, 2021 in accordance with International Financial Reporting Standards, in Canadian dollars and should be read in conjunction with the unaudited condensed consolidated interim financial statements as at September 30, 2021 together with the accompanying notes. This MD&A contains forward-looking statements. See "*Forward Looking Statements*".

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

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

Summary of First Quarter Results

Selected financial information

For the three months ended	September 30, 2021	June 30, 2021	September 30, 2020
Statement of operations			
Interest income	\$ 20,565	\$ 19,170	\$ 20,465
Net loss and comprehensive loss	\$ (149,595)	\$ (168,550)	\$ (308,070)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)
Cash flow			
Net cash provided (used in)			
Operating activities	\$ 192,798	\$ (583,423)	\$ (118,285)
Investing activities	\$ (609,850)	\$ (12,165)	\$ (24,100)
Financing activities	\$ 254,602	\$ 1,688,208	\$ -
	September 30, 2021	December 31, 2020	September 30, 2020
Balance sheet - Assets			
Investment in associates	\$ -	\$ -	\$ 2,505,255
Total assets	\$ 3,948,830	\$ 2,535,495	\$ 5,132,910
Working capital	\$ 1,302,230	\$ (570,405)	\$ (410,730)

Discussion of Operations

Interest income

- In Q3, 2021 earned interest income of \$20,565 (Q2, 2021 - \$19,170, Q3, 2020 - \$20,465) of interest accrued in Petro Frontera, with respect to a shareholder loan to Tonalli.

General and administrative expenses

Three months ended:	Sept 30, 2021	June 30, 2021	Sept 30, 2020
Professional fees	\$ 14,120	\$ 30,089	\$ 24,600
Consulting fees and salaries	77,776	77,600	75,000
Rent and corporate costs	57,360	20,555	37,810
Filing and transfer fees	14,490	17,030	1,120
	\$ 163,746	\$ 145,274	\$ 138,530

- Total general and administration expenses in the three months ended September 30, 2021, were \$163,746, an 12.7% increase as compared to the previous quarter.

Net loss

- For the three months ended September 30, 2021, the Company recorded a net loss of \$149,595 (\$0.00 loss per share) as compared to \$168,550 (\$0.00 loss per share) for Q2, 2021 (Net loss for Q3, 2020 - \$308,070 or \$0.00 loss per share)

Share based compensation

- In Q3, 2021 the Company recorded a compensation expense of \$11,815 (Q2, 2021 - \$28,970, Q3 2020 - \$30,690 with respect to options granted in 2018 and 2019. The fair value of options granted was estimated on the date of grant using the Black-Scholes option-pricing model.
- There were no options granted in Q3, 2021.

Investing activities

Long term debt

In 2020, the Company applied for and received a \$60,000 term loan under the Canada Emergency Business Account (the "CEBA term loan"), which is one of the Canadian government's COVID-19 economic recovery measures. The CEBA term loan is non-interest bearing for the initial term ending on December 31, 2022 (the "Initial Term"). If the loan is paid off by December 31, 2022, 33% of the loan will be forgiven. If the CEBA term loan is not fully repaid by the end of the Initial Term, then the unpaid balance will bear interest at the rate of 5% per annum, payable monthly, and will mature on December 31, 2025.

To estimate the fair value, the debt component was estimated first at \$60,000, considering the interest free aspect of the loan. A 17.0 % effective rate was used which corresponds to a rate that the Company would have obtained for a similar investment. The \$16,540 residual value was attributed to a governmental subsidy that was presented in the statement of operations as other income in 2020. In Q3, 2021 the Company recorded accretion expense with respect to the residual value of \$825 (Q2, 2021 - \$1,655, Q3, 2020 - \$Nil).

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

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

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

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

	Tonalli	Mexcan	Total
Balance at December 31, 2019	\$ 3,560,210	\$ 38,605	\$ 3,598,815
Fair value adjustment of Tonalli loan	26,375	-	26,375
Share of income (loss) for the year	(3,586,585)	3,775	(3,582,810)
Impairments	-	(42,380)	(42,380)
Balance at December 31, 2020 and September 30, 2021	\$ -	\$ -	\$ -

At December 31, 2020, the Company's share of losses in Tonalli exceeded its investment in Tonalli and as a result, the Company's investment in Tonalli at December 31, 2020, was \$Nil. The Company's share of cumulative unrecognized net loss to date is \$467,865 (nine months ended September 30, 2021 - \$306,995) and as a result there was no impact to the Company's investment in Tonalli at September 30, 2021.

At December 31, 2020, the Company determined that the investment in Mexcan was impaired and an impairment loss of \$42,380 was recorded on the Company's consolidated statement of operations and comprehensive loss in that period.

At September 30, 2021, Frontera has loaned \$2,881,530 CAD equivalent (December 31, 2020 - \$2,789,955 CAD equivalent) to Tonalli in the form of a shareholder loan pursuant to a shareholder loan agreement.

Per the terms of the shareholder loan agreement the loans (plus interest accrued to date) have a maturity date of December 31, 2024 and bears interest at a rate of Libor plus 2.75%.

Interest accrued at September 30, 2021, was \$641,795 (December 31, 2020 - \$574,510) CAD equivalent and has been included in shareholder loan at September 30, 2021.

At September 30, 2021 the fair value of the 2021 shareholder loan in the amount of \$100,445 was determined to be \$58,770 (December 31, 2020 - \$37,250). The difference of \$41,675 (December 31, 2020 - \$26,375) between the fair value of the shareholder loan and the loan balance was recorded as a loss in the Company's equity investment in Tonalli in 2021.

Tonalli Operations

Tecolutla Contract

A summary of the License terms for the Tecolutla Block is as follows:

- **Effective Date:** August 2016
- **Term:** 25 years plus two possible extensions of five years each
- **National Content Rule:** 22% escalating to 38%
- **Appraisal Period:** one to two years to Perform a Minimum Work Program of one well and one work over at an estimated cost of US\$1.8 million
- **Performance Guarantee:** 50% of assigned value of 4600 Work Units (\$1.8 MM US)
- **Royalties:**
 - Base Oil Royalties (7.5% @ \$48 US linear to 14% @ 100\$ US Brent)
 - Additional Bid Royalty of 31.22% of the contract value of hydrocarbons produced
 - A royalty to the surface landowner in an amount of 1% of the contract value subject to negotiation after the signing of the Licence (being directed by the Mexican energy regulator, the National Hydrocarbons Commission ("CNH"))

The Tecolutla Block is a 7.2 km² block in the Tampico-Misantla Basin located within the state of

Veracruz. The producing carbonate oil reservoir in the Tecolutla Block is the El Abra formation at a depth of 2,340 meters. 3D seismic has been acquired over the entire Tecolutla Block and 7 wells were drilled into the Tecolutla Block. Peak production of over 900 bbl/d occurred from the Tecolutla Block in 1972 from 4 wells, with 1 producing well remaining as of December 2014.

Evaluation Plan

- On November 20, 2021 Tonalli submitted its Transition Plan to the CNH for approval
- In August 2021, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until November 24, 2021.
- On November 26, 2020, CNH granted an exclusive 9 month extension to all operators participating in Round 1.3. As a result, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until August 27, 2021.
- In August 2020, CNH granted a 4 month extension to all operators due to COVID-19. As a result, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until November 27, 2020.
- In July 2019, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until July 6, 2020. There were no additional work commitments with respect to the Tecolutla Contract.
- In June 2019, Tonalli had completed the full requirements for the drilling of the TEC-11 well in order to satisfy the minimum work requirement as required by the extension of the evaluation plan. On June 6, 2019, Tonalli received full accreditation for its remaining 4,800 work units.
- In December 2018, Tonalli completed drilling of the TEC-11 well and satisfied the requirements to earn the work units under the modification of its evaluation plan.
- In November 2018, Tonalli received accreditation for 4,000 work units with respect to the TEC-10 drill and in June 2019 Tonalli received accreditation of its remaining 600 work units. The performance bond was returned in January 2019 upon fulfilment and approval of the required work program.
- On July 6, 2018, Tonalli received approval from the CNH to extend its Tecolutla evaluation plan and final approval for the modification of the work program was received on October 18, 2018 which resulted in a commitment of an additional 4,000 work units.
- On September 23, 2017, the Mexican energy regulator, the CNH, approved Tonalli's evaluation plan for the Tecolutla Block. The evaluation plan outlines in detail the scheduled work program to meet 4,600 work units on the Tecolutla Block.

Operations

For the:	Nine months ended		Three months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	June 30, 2021
Total Production (BBL/Day)	52	73	38	49
Oil sales	\$ 920,549	\$ 654,813	\$ 252,258	\$ 286,119
Royalties	(382,003)	(271,985)	(105,302)	(120,057)
Production and operating expenses	(330,535)	(336,104)	(114,305)	(116,087)
Total operating netback ⁽¹⁾	\$ 208,011	\$ 46,724	\$ 32,651	\$ 49,976
Oil Sales (\$/BBL)	\$ 64.51	\$ 49.67	\$ 73.11	\$ 44.86
Royalties (\$/BBL)	(26.77)	(20.63)	(30.52)	(18.82)
Field operating costs (\$/BBL)	(23.16)	(25.50)	(33.13)	(18.20)
Total operating netback ⁽¹⁾	\$ 14.58	\$ 3.54	\$ 9.46	\$ 7.84
Total production (bbl)	14,270	13,182	3,450	4,442

(1) See Non GAAP measures

Sales Volumes/Price

- Price is calculated using the agreed upon formula per the Company's executed Commercialization Contract with PEMEX.

Royalties

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

Production and operating costs

- Operating costs in Q3, 2021 were consistent with prior periods

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	September 30, 2021	November 26, 2021
Common shares outstanding	299,107,939	299,107,939
Options outstanding	10,575,000	10,575,000
Fully diluted	309,682,939	309,682,939

Summary of Quarterly Results

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

Quarter ended:	December 31,	March 31,	June 30,	September 30,
	2019	2020	2020	2020
Statements of operations				
Net loss and comprehensive loss	\$ (1,561,935)	\$ (223,615)	\$ (1,051,910)	\$ (308,070)
Net loss per share				
Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Statements of financial position				
Total assets	\$ 6,063,030	\$ 6,412,020	\$ 5,427,495	\$ 5,132,910
Working capital	\$ (595,915)	\$ (73,215)	\$ (268,460)	\$ (410,730)
Funds flow from (used in) operations (1)	\$ (54,525)	\$ (17,475)	\$ (138,315)	\$ (118,285)
Quarter ended:	December 31,	March 31,	June 30,	September 30,
	2020	2021	2021	2021
Statements of operations				
Net loss and comprehensive loss	\$ (2,857,670)	\$ (130,530)	\$ (168,550)	\$ (149,595)
Net loss per share				
Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Statements of financial position				
Total assets	\$ 2,435,495	\$ 2,404,280	\$ 3,862,554	\$ 3,948,830
Working capital	\$ (570,405)	\$ (651,345)	\$ 923,358	\$ 1,302,230
Funds flow from (used in) operations (1)	\$ (32,940)	\$ 12,050	\$ (583,423)	\$ 192,798

Non Gaap measures

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

Liquidity, capital resources and financing activities

Working Capital

At September 30, 2021, the Company has cash and cash equivalents of \$953,595 (December 31, 2020 - \$44,600) and working capital of \$1,302,230 (December 31, 2020 – \$(570,405)).

In June 2021, the Company completed the first tranche of a non-brokered private placement of common shares. The Company issued 30,714,500 common shares of the Company at a price of \$0.025 per common share for gross proceeds of \$767,863 net of finders’ fees of \$15,910.

On July 12, 2021, the Company completed the second tranche of a non-brokered private placement of common shares. The Company issued 9,285,500 common shares of the Company at a price of \$0.025 per common share, for gross proceeds of \$232,137. There were no finders’ fees paid in connection with this second tranche of the Offering.

In June 2021, the Company issued a 10% per annum secured convertible debenture for gross proceeds of \$750,000 USD (\$910,830 CAD equivalent). The Convertible Debenture has a 3-year term, maturing on June 11, 2024 (the “Maturity Date”) and bears an interest rate of 10% per annum, calculated semi-annually.

In July 2021, \$400,000 USD (\$510,380 CAD equivalent) of the proceeds of the Debenture were advanced to a Service Company to be held in trust as a deposit (the “Deposit”) for the drilling of a well. If the transactions described in the Letter of Intent are not completed for any reason by December 1, 2021, the Deposit shall revert back to, and be held by the Service Company for the benefit of the Lender and the amount owed on the Debenture will be reduced by the amount of the Deposit.

Planned Capital Program

Tonalli has fulfilled its capital obligations with respect to its evaluation period. The Company has submitted and is awaiting approval of its transition plan before any further plans are made for further development of the Tecolutla field.

Future Capital Requirements

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

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

In the management of capital, the Company includes cash and cash equivalents, accounts receivable, shareholder loan less accounts payable and accrued liabilities in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company is reasonable. As at September 30, 2021, the Company's capital as defined above was approximately \$764,485 (2020 – \$(595,435)).

The Company had a net loss of \$448,675 and cash flows used in operations of \$358,920 for the nine-month period ended September 30, 2021 and working capital of \$1,302,230 as at September 30, 2021.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and measures being introduced at various levels of government to curtail the spread of the virus such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing, may have a material impact on the Company's operations. Current measures may continue and increase depending on developments in the outbreak making it uncertain for the Company to determine the ultimate severity and the extent of the impact on its operations.

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

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

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

Related Party Transactions

The amounts paid to officers and directors during for the periods ended September 30, 2021 and 2020 are provided below, these costs are included in general and administrative expenses.

For the nine months ended September 30,	2021	2020
Executive compensation	\$180,000	\$180,000
Stock based compensation	62,700	127,750
	\$242,700	\$307,750

At September 30, 2021, \$35,220 (2020 – \$292,895) was included in accounts payable and accrued liabilities owing to related parties. On July 12, 2021, the Company settled \$328,800 of the amounts owing via a debt to share conversion at a share price of \$0.025 per share (see Note 3a).

The above transactions were incurred in the normal course of operations of the Company and have been recorded at the exchange amounts that were established and agreed upon by the related parties.

Corporate Activities

Proposed Transaction

On May 10, 2021, the Company entered into a non-binding Letter of Intent (“LOI”) with respect to a potential reverse takeover of the Company (the “Proposed Transaction”) by a private oil and gas company (“PrivateCo”). The Proposed Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Proposed Transaction on or before October 1, 2021, the completion of satisfactory due diligence, the funding of a \$US750,000 Convertible Debenture Offering (see note 7), the completion of a concurrent financing in relation to the Proposed Transaction in an expected range of US\$20,000,000 to US\$60,000,000, the purchase by the Company all of the outstanding shares in the joint venture company, Tonalli held by its joint venture partner, Grupo IDESA S.A. de C.V., the completion of a share consolidation, the approval of the TSX-V and other applicable regulatory authorities. On October 22, 2021 the Company signed an extension of the LOI to December 1, 2021.

On June 11, 2021 the Company issued a 10% per annum secured convertible debenture for gross proceeds of \$750,000 USD (\$910,830 CAD equivalent). The Convertible Debenture has a 3-year term, maturing on June 11, 2024 (the “Maturity Date”) and bears an interest rate of 10% per annum, calculated semi-annually, and payable on the Conversion Date (as defined below) or Maturity Date.

The Convertible Debenture is secured by a promissory note and a share pledge agreement, both in respect of the shares of Tonalli held by the Company or its subsidiaries. There is no other security over the assets of the Company in relation to the Convertible Debenture.

Convertible Debenture

Pursuant to the Company’s proposed reverse takeover transaction (the “Proposed Transaction”) announced by the Company on May 10, 2021, the Convertible Debenture will be convertible at PrivateCo’s option into post-consolidation Common Shares of the Company (“Resulting Issuer Shares”) at any time prior to the Maturity Date at a conversion price (the “Conversion Price”) equal to a 10% discount to the deemed price of the Resulting Issuer Shares on completion of the proposed reverse takeover transaction, provided that the minimum Conversion Price will equal \$0.025 multiplied by the consolidation ratio (being the number of pre-consolidation Common Shares that will be exchanged for one post-consolidation Common Share).

At the Company’s option, the Company may prepay without penalty the principal amount of the Convertible Debenture in cash or in Common Shares at the Conversion Price in whole or in part. If the Proposed Transaction does not close by October 1, 2021, or the non-binding letter of intent regarding the Proposed Transaction is terminated, The Company has the option to satisfy all or a portion of the principal amount and accrued and unpaid interest under the Convertible Debenture by converting the same to services. Upon conversion of such principal and interest into services, the Company will have satisfied its obligations under the Convertible Debenture.

Pursuant to the terms of the debenture on July 5, 2021 \$400,000 USD (\$510,280 CAD equivalent) of the proceeds of the Debenture were advanced to a Service Company to be held in trust as a deposit (the “Deposit”) for the drilling of a well. If the transactions described in the Letter of Intent are not completed for any reason by December 1, 2021, the Deposit shall revert back to, and be held by the Service Company for the benefit of the Lender and the amount owed on the Debenture will be reduced by the amount of the Deposit.

Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, foreign exchange risk, fair value risk and industry credit risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

- a) **Fair value of financial assets and liabilities:** The Company's financial instruments as at September 30, 2021 and 2020 include cash and cash equivalents, accounts receivable, shareholder loans and accounts payable and accrued liabilities. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. Cash and cash equivalents and the restricted cash on deposit balances are equal to their fair values.
- b) **Credit risk** arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The maximum exposure to loss associated with accounts receivable is the total carrying amounts on the statement of financial position. All amounts outstanding at September 30, 2021 are expected to be collected in 2021.

The following table presents the aging of the Company's accounts receivable at September 30, 2021:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 7,215	\$ -	\$ -	\$ 7,215	\$ -

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

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

- 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, 2021.
- d) **Foreign currency risk:** Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company has financial instruments denominated in US dollars and Mexican pesos. The Company's management monitors the exchange rate fluctuations on a regular basis. The Company does not use currency derivative instruments to manage the Company's exposure to foreign currency fluctuations.
- e) **Commodity price risk:** Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum are impacted by the relationship between the Canadian Dollar and Mexican Peso, the Canadian Dollar and United States Dollar, global economic events and Mexican government policies.

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

- f) **Liquidity risk:** Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. At September 30, 2021, the Company's accounts payables and accrued liabilities were \$651,322 the majority of which are due to related parties of the Company at September 30, 2021. The Company regularly reviews its accounts payable balances and follows up on amounts past due. The Company's financial liabilities are summarized below:

Total accounts payable and accrued liabilities	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 196,325	\$ 28,820	\$ 14,530	\$ -	\$ 152,975

Accounting Policies and Estimates

The interim condensed consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the consolidated financial statements for the fiscal year December 31, 2020.

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of International Financial Reporting Standards that have a significant impact on the financial results of the Corporation. Reserve estimates are a key component in the calculation of depletion, depreciation and accretion costs. A change in reserve quantity estimates will result in a corresponding change in DD&A costs. In addition, if capitalized costs are determined to be in excess of the calculated ceiling, which is based on reserve quantities and values, the excess must be written off as an expense. Decommissioning liabilities are estimated, discounted and carried on the balance sheet as a liability. A change in estimated future asset restoration costs will change the liability on the balance sheet and the amortization of the decommissioning liabilities included in property and equipment.

Operational and other business risks

Current Economic Conditions

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

Need to Replace and Grow Reserves

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

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

Exploration, Development and Production Risks

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

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

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

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

Contingent Resources

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

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

There is no certainty that a gas pipeline will be constructed to tie-in the Corporation's contingent resources, nor is there certainty that it will be commercially viable to produce any portion of the

contingent resources identified in the McDaniel & Associates contingent resource report on the Corporation's Northwest Territories properties dated December 31, 2013.

Volatility of Oil and Natural Gas Prices

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

Operational Hazards and Other Uncertainties

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

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

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

Competition

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

Key Personnel

The success of International Frontier will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on International

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

Environmental Risks

The oil and natural gas industry is subject to environmental regulation pursuant to a variety of international conventions and Canadian federal, provincial and municipal laws, regulations, and guidelines and Montana state laws and regulations. A breach of such regulations may result in the imposition of fines or issuances of clean up orders in respect of International Frontier or its assets. Such regulation may be changed to impose higher standards and potentially more costly obligations on International Frontier. There can be no assurance that future environmental costs will not have a material adverse effect on International Frontier.

Forward Looking Statements

Certain statements contained in this MD&A, constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “strategy” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements are based on reasonable assumptions, but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this MD&A should not be unduly relied upon. These statements are made only as of the date of this MD&A.

In particular, this MD&A may contain forward-looking statements including, but not limited to, the following:

- oil and natural gas production rates;
- commodity prices for crude oil or natural gas;
- supply and demand for oil and natural gas;
- capital expenditure programs;
- future exploration, development and production costs;
- timing of drilling plans;
- plans for and results of exploration and development activities;
- expectations regarding the Corporation’s ability to raise capital and to continually add to oil and natural gas reserves through acquisitions, exploration and development; and
- treatment under governmental regulatory regimes and tax laws.
- Third party resource estimates.

With respect to forward-looking statements contained in this MD&A and other documents of public record, the Corporation has made assumptions regarding, among other things:

- future oil and natural gas production levels from IFR’s properties and the prices obtained from the sales of such production;
- the level of future capital expenditure required to exploit and develop reserves; and
- the Corporation’s ability to obtain financing on acceptable terms, as required.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of assumptions proving inaccurate and of both known and unknown risks as set forth below:

- general economic, political, market and business conditions;
- risks inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, capital, acquisitions of reserves, undeveloped lands, drilling equipment and skilled personnel;
- geological, technical, drilling and processing problems;

- incorrect assessments of the value of acquisitions;
- the availability of capital on acceptable terms;
- volatility in market prices for oil and natural gas;
- actions by governmental authorities, including regulatory, environmental and taxation policies; and
- fluctuations in foreign exchange or interest rates and stock market volatility
- ability to raise project finance capital from chartered banks

This forward-looking information represents the Corporation's views as of the date of this MD&A and such information should not be relied upon as representing its views as of any subsequent date. IFR has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

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

Other information

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