International Frontier Resources Corporation

Management Discussion and Analysis

For the Years ended December 31, 2022 and 2021

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

The following is management's discussion and analysis ("MD&A") of IFR's operating and financial results for the year ended December 31, 2022, 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 May 15, 2023 and should be read in conjunction with the audited consolidated financial statements as at December 31, 2022 and 2021 together with the accompanying notes, the Statement of Reserves Data and Other Oil and Gas Information contained in the Company's annual information form dated December 31, 2022. This MD&A contains forward-looking statements. See *"Forward Looking Statements".*

The2onsoledated financial statements include the accounts of the Company and its 99.80% owned Mexican subsidiary, Petro Frontera S.A.P.I de CV ("Frontera"), which is accounted for using the consolidation method. All inter-company transactions and balances are eliminated upon consolidation. The consolidated financial statements also include Frontera's 50% investment in Tonalli Energia S.A.P.I. de CV ("Tonalli"), and its 99.80% investment in Energia Mexcan ("Mexcan"), Mexican companies which are accounted for using the equity method.

The annual consolidated financia" statem"nts have been audited by the Company's independent external auditors and approved by the Audit Committee and the Board of Directors.

All financial measures presented in this MD&A 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.

The Company's ability to continue as a going concern is dependent on its ability to raise capital in the near term. Capital is required to fund ongoing general and administrative costs, the working capital deficit and for further development and operations of the Company, specifically Tonalli. There is no guarantee that capital can be raised, and if it can whether the further development of Tonalli will result in successful operating results and cash flows. If the Company does not raise capital in the near term, there is risk that the Company may be required to seek creditor protection or be forced to sell assets of the Company. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these financial statements and that the Company will meet its operating and capital requirements. 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.

Annual Results

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

	2022	2021	2020
Statements of operations			
Interest income	$ 105,495	$ 78,390	$ 89,180
Net loss and comprehensive loss	$ (3,058,575)	$ (986,880)	$ (4,441,265)
Loss per share	$ (0.01)	$ (0.00)	$ (0.02)
Cash flow			
Net cash provided (used in)			
Operating activities	$ (401,615)	$ (581,580)	$ (615,355)
Investing activities	$ 62,465	$ (1,103,530)	$ (171,145)
Financing activities	$ 57,395	$ 1,941,580	$ 736,050
Statements of financial position			
Assets			
Investment in associates	$ -	$ -	$ -
Total assets	$ 86,010	$ 3,547,960	$ 2,435,495
Working capital	$ (791,605)	$ 804,125	$ (570,405)

Discussion of Operations

Interest income

- In 2022, earned interest income is $105,495 (2021 - $78,390) of interest accrued in Petro Frontera, with respect to shareholder loans to Tonalli.

General and administrative expenses

Year ended December 31,	**2022**	**2021**
Professional fees	$ 241,885	$ 268,910
Consulting fees and salaries	250,000	306,670
Rent and corporate costs	123,400	148,440
Filing and transfer fees	36,260	44,320
Corporate travel	5,780	7,160
	$ 657,325	**$ 775,500**

- In 2022, general and administrative expenses were $657,325, a decrease of $118,175 or 15% as compared with $$775,500 in 2021.
- The decrease in general and administration expenses is mainly a result of an overall reduction in general and corporate costs incurred in the year ended 2022

Net loss

- For the year ended December 31, 2022, the Company recorded a net loss from continuing operations of $3,058,575 ($0.01 loss per share) as compared to $986,880 ($0.00 loss per share) at December 31, 2021.
- Increased loss at December 31, 2022 is a result of a loss on settlement of the shareholder loans due from Tonalli in the year of $3,269,300 mitigated by the derecognition of debt of $1,072,940 in the year.

Share based compensation

- In 2022, the Company recorded a compensation expense of $22,865 (2021 – $82,145) 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 2022.

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 was 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 was paid off by December 31, 2022, 33% of the loan would have been forgiven. In October 2022, the initial term for repayment of the CEBA loan was extended to December 31, 2023. 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. % effective rate was used which corresponds to a rate that the Company would have obtained for a similar investment. In 2022, the Company recorded accretion expense with respect to the residual value of $3,320 (2021 - $3,310).

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

At December 31, 2022, the Company, through its Mexcan subsidiary Frontera's holds a 50% investment in Tonalli Energia S.A.P.I. de CV ("Tonalli"), a Mexican company which is accounted for using the equity method and a 99.80% interest in Energia Mex Can ("Mexcan"), a Mexican company which is accounted for using the consolidation method.

During the year ended December 31, 2020, the Company incurred additional losses on its equity investment in Tonalli which resulted in the Company's share of cumulative losses continuing to exceed its investment in Tonalli. As a result, the associated investment in Tonalli is $Nil at December 31, 2022. For the year ended December 31, 2022, the Company incurred a loss on its equity investment in Tonalli of $513,575 (2021 –$531,990) As at December 31, 2022, the Company's cumulative unrecognized share of net losses in Tonalli is $1,569,519 (2021– $723,729).

In 2022 the Company contributed $120,880 in equity contributions to Tonalli. The amounts are less than the Company's cumulative losses in Tonalli on December 31, 2022, and have been recorded as a loss in the Company's equity investment in Tonalli in the consolidated statements of operations and comprehensive loss.

On December 31, 2022 Jaguar had made additional equity contributions of $332,215 to Tonalli and was issued the corresponding shares. In conjunction with this on December 31, 2022 Frontera was issued shares in Tonalli for it's outstanding matching contribution in the amount of $332,215. These amounts have been recorded as a share subscription receivable due from Frontera in Tonalli at December 31, 2022 and have been recorded in Due to Related Parties on the Company's Statements of Financial Position at December 31, 2022. The amounts are less than the Company's cumulative losses in Tonalli on December 31, 2022, and have been recorded as a loss in the Company's equity investment in Tonalli in the consolidated statements of operations and comprehensive loss.

On August 25, 2022, the Company, through its wholly owned subsidiary Frontera entered into and closed a purchase and sale agreement to purchase IDESA's shares in Mexcan for consideration of $1. As a result of this transaction as at December 31, 2022 Frontera owns 99.98% of the outstanding shares of Mexcan which is accounted for in Frontera using the consolidation method. All inter-company transactions and balances are eliminated upon consolidation. A loss of $17,565 on the Company's equity investment in Mexcan prior to obtaining control has been recorded in the statements of operations and comprehensive loss.

On May 31, 2022 the Company entered into a share option agreement (the "Option Agreement') with its joint venture partner IDESA pursuant to which the Company's wholly owned Mexican subsidiary Frontera was granted the option (the "Option") to purchase all of the outstanding shares in Tonalli held by IDESA. Frontera held 50% of the outstanding shares of Tonalli with IDESA holding the remaining 50%.

Under the terms of the Option Agreement, Frontera had the right to acquire the outstanding shares of Tonalli held by IDESA for an exercise price of $1.

On August 25, 2022, the Company exercised its option and acquired IDESA's shares of Tonalli. On the same date, and pursuant to a purchase and sale agreement dated August 25, 2022, the Company sold 50% of its Tonalli Shares to Jaguar Exploración y Producción de Hidrocarburos, S.A.P.I. de C.V ("Jaguar") for of $1USD. (the "Tonalli Share Transaction")

At December 31, 2022, Frontera has loaned $3,939,190 CAD equivalent (December 31, 2021 - $2,840,165 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) had a maturity date of December 31, 2024, and bore interest at a rate of Libor plus 2.75%.

Interest accrued at December 31, 2022, was $855,900 (December 31, 2021 - $656,905) CAD equivalent.

During the year ended December 31, 2022, Frontera extended a new shareholder loan in the amount of $498,035 (December 31, 2021 - $68,970) to Tonalli. The fair value of the loan was determined to be $345,185 (December 31, 2021 - $40,780). The difference of $152,850 (December 31, 2021 - $28,190) between the fair value of the shareholder loan and the loan balance was recorded as an increase in the Company's equity investment in Tonalli and impaired in the consolidated statements of operations and comprehensive loss.

On August 25, 2022, pursuant to the Tonalli Share Transaction, the Company agreed to derecognize its shareholder loans pursuant to certain Mexican tax considerations. As a result, the shareholder loans receivable plus accrued interest of $3,269,300 ($3,380,890 less recovery of VAT on accrued interest payable of $111,590) have been impaired at December 31, 2022, and recorded in the consolidated statements of operations and comprehensive loss.

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 km^2 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 Tecolulta 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 July 5, 2022 CNH approved Tonalli's Transition Plan for the Tecolutla Block.
- On February 6, 2022 the Company elected to desist its Transition Plan application and a revised application was submitted on May 6th, 2022.
- 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 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:	**Year ended**		**Three months ended**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Total Production (BBL/Day)	29	48	30	36
Oil sales	$ 216,600	$ 1,179,485	$ 124,655	$ 258,934
Royalties	(121,075)	(382,000)	(59,495)	(111,608)
Production and operating expenses	(205,090)	(489,625)	(76,330)	(107,863)
Total operating netback (1)	**$ (109,565)**	**$ 307,860**	**$ (11,170)**	**$ 39,463**
Oil Sales ($/BBL)	$ 79.05	$ 67.23	$ 76.15	$ 79.04
Royalties ($/BBL)	(44.19)	(21.77)	(36.34)	(34.07)
Field operating costs ($/BBL)	(74.85)	(27.91)	(46.63)	(32.93)
Total operating netback (1)	**$ (39.99)**	**$ 17.55**	**$ (6.82)**	**$ 12.04**
Total production (bbl)	**2,740**	**17,545**	**1,637**	**3,276**

(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.

- Total production for the year ended December 31, 2022 decreased by 14,805 barrels or 84% as compared to the year ended December 31, 2022 as a result of the Company's election to shut-in the Tecolutla field in Q1, 2022 pending regulatory approvals with respect to its Transition Plan.
- The field was brought back onto production in November 2022.

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%.
- The decrease in royalties is consistent with the decrease in revenues in the period.

Production and operating costs

- Operating costs decreased by $284,534 or 58% for the twelve months ended December 31, 2022 as compared to the same period in 2021 as a result of the temporary shut-in of operations in 2022.

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	December 31, 2022	May 15, 2023
Common shares outstanding	299,107,939	299,107,939
Options outstanding	6,900,000	6,900,000
Fully diluted	**306,007,939**	**306,007,939**

Summary of Quarterly Results

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

Quarter ended:	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Statements of operations				
Net loss and comprehensive loss	$ (130,530)	$ (168,550)	$ (149,595)	$ (538,205)
Net loss per share				
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Statements of financial position				
Total assets	$ 2,404,280	$ 3,862,554	$ 3,948,830	$ 3,547,960
Working capital (deficit)	$ (651,345)	$ 923,358	$ 1,302,230	$ 804,125
Funds flow from (used in) operations [1]	$ 12,050	$ (583,423)	$ 192,798	$ (171,295)
Quarter ended:	**March 31, 2022**	**June 30, 2022**	**September 30, 2022**	**December 31, 2022**
Statements of operations				
Net loss and comprehensive loss	$ (287,205)	$ 770,185	$ (3,077,860)	$ (463,695)
Net loss per share				
Basic and diluted	$ (0.00)	$ 0.00	$ (0.01)	$ (0.01)
Statements of financial position				
Total assets	$ 3,324,710	$ 3,300,385	$ 111,000	$ 86,010
Working capital (deficit)	$ 160,495	$ (253,605)	$ (298,160)	$ (791,605)
Funds flow from (used in) operations [1]	$ (120,940)	$ (91,295)	$ (267,335)	$ (134,280)

([1]See Non-GAAP measures)

Non-GAAP measures

Funds flow from (used in) operations

This MD&A contains the term "funds flow from (used in) 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 Company to provide shareholders and potential investors with additional information regarding the Company'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 Company's performance. The Company considers funds from (used in) operations to be a key measure of operating performance as it demonstrates the Company'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 Company's operations on a continuing basis by eliminating certain non-cash charges and charges that are nonrecurring. Funds from (used in) operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures for other entities.

Operating Netback

Operating netback is a common non-GAAP metric used in the oil and gas industry. Management believes this measurement assists management and investors to evaluate the specific operating performance by product at the oil and gas lease level. Operating netback is calculated as gross revenue less royalties, production and operating on a per unit basis.

Liquidity, capital resources and financing activities

Working Capital

At December 31, 2022, the Company has cash and cash equivalents of $25,470 (December 31, 2021 - $306,330) and a working capital deficit of $791,605 (December 31, 2021 – $804,125).

In July 2021, $400,000 USD ($505,480 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. On March 8, 2022, the $400,000 USD held in trust was released with $100,000 USD being released to the Company for its own account and the remaining $300,000 USD being released to the Company in Q2, 2022.

In Q2 2022, Frontera entered into a Line of Credit agreement for proceeds of $300,000 USD bearing interest at 10.50%. Per the terms of the agreement at June 30, 2022 the balance of the loan plus any accrued interest was derecognized.

Planned Capital Program

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

Future Capital Requirements

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

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

In the management of capital, the Company includes cash and cash equivalents, accounts receivable, deposits and shareholder loans 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 December 31, 2022, the Company's capital as defined above was approximately $(808,685) (2021 – $769,580).

The Company had a net loss of $ 3,058,575 and cash flows used in operations of $401,615 for the year ended December 31, 2022 and a working capital deficit of $791,605 as at December 31, 2022. The Company's only revenue generating activities are related to its investment in Tonalli which has been incurring losses and using cash in its operating activities since inception.

Related Party Transactions

The amounts paid to officers and directors during the years ended December 31, 2022 and 2021 are provided below, these costs are included in general and administrative expenses.

	2022	2021
Executive officers –consulting fees	**$ 190,000**	$ 240,000
Share based compensation	**22,865**	73,235
	$ 212,865	$ 313,235

At December 31, 2022, $207,620 (2021– $Nil) was included in accounts payable and accrued liabilities with respect to consulting fees payable. On July 12, 2021, the Company settled $328,800 of the amounts owing via a debt to share conversion by issuing 13,152,000 shares at a share price of $0.025 per share (see Note 7a).

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 was 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, 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 and extension of the LOI to December 1, 2021.

On April 4, 2022 the Company entered into a Line of Credit Agreement where PrivateCo has agreed to provide a working capital line to the Company of up to $300,000 USD in the form of a non-revolving unsecured Line of Credit bearing interest at 10.5%. The loan has a term of one year and is forgivable if a definitive agreement with respect to the Company's Proposed Transaction is not signed by June 30th, 2022. At June 30, 2022, a definitive agreement had not yet been signed and the outstanding balance of the loan plus accrued interest to June 30, 2022 was derecognized as per the Agreement.

On April 11, 2022 the Company announced that it continued to work toward the successful completion of the Proposed Transaction and the parties had negotiated substantially all of the terms of the definitive agreement with respect to the Proposed Transaction. In addition, the Company had formally notified the Mexican energy regulator of its intent to transfer ownership of its Tecolutla block held in Tonalli by way of a formal joint notification completed by the Company and PrivateCo on March 14, 2022.

On December 14, 2022 the Company announced that it has entered into a non-binding Letter of Intent ("LOI") dated November 28, 2022 with Jaguar Exploration and Produccion 2.3, S.A.P.I. de C.V. ("Jaguar") a company organized under the laws of Mexico and IFR's 50% partner in Tonalli Energy S.A.P.I. de C.V. ("Tonalli"). This LOI is with respect to a Farm-in Arrangement of Jaguar's 100% undivided working interest in the TM-01 License Contract in the Veracruz state of Mexico, immediately adjacent the existing acreage held by Tonalli. The LOI reflects the intention that IFR will acquire a working interest in the TM-01 License Contract from Jaguar in consideration for IFR issuing common shares of IFR ("Common Shares") to Jaguar and IFR participating in the costs of conducting certain Work Programs in relation to the TM-01 License Contract (the "Proposed Farm-In Arrangement"). The Proposed Farm-In Arrangement is an arm's length transaction.

Completion of the Proposed Farm-in Arrangement is subject to a number of conditions as set forth in the LOI which include but are not limited to: the negotiation and execution of a definitive agreement for the Proposed Farm-In Arrangement (the "Definitive Agreement"); any required approvals of relevant government authorities; TSX Venture Exchange (the "TSXV") acceptance of the Proposed Farm-In Arrangement and the proposed IFR Financing (as defined below); closing of the IFR Financing; satisfactory due diligence; board of director approval of IFR and Jaguar for the Proposed Farm-In Agreement; IFR shareholder approval (as described below) and Jaguar shareholder consent; and other conditions typical for transactions of a similar nature. The Proposed Farm-In Arrangement and the IFR Financing cannot close until the required TSXV approval, shareholder approvals and relevant government authority approvals are obtained.

On December 14, 2022, the Company also announced that it had terminated further negotiation with respect to its Proposed Transaction as originally announced on May 9, 2021.

On May 9, 2023 the Company announced that it has entered into an agreement with Jaguar Exploracion S.A.P.I. de C.V. ("Jaguar"), a privately owned Mexican oil and gas company (the "Letter of Intent") dated April 28, 2023 which provides Jaguar with the following options:

(1) Option to Extend

With respect to the Proposed Farm-In Arrangement, the Option to Extend has been granted by IFR to Jaguar as the final form of the unexecuted Definitive Agreement contemplated pursuant to a letter of intent ("LOI") dated November 28, 2022 and expiring on April 30, 2023.

As per the terms of the Letter of Intent, Jaguar and IFR mutually agree that Jaguar is being given the Option to Extend the long stop date of the Proposed Farm-in Arrangement on TM-01 for a period of 90 days in exchange for a deposit of US $262,500 (refundable in certain circumstances) as discussed below; and that the Option to Extend can be triggered by simple written notification by Jaguar to IFR at any time on or before 90 days from the current long stop date of the Proposed Farm-in Arrangement.

(2) Option to Purchase

In addition to the Option to Extend, IFR has granted Jaguar the Option to Purchase which will give Jaguar, currently the owner of 50% of the outstanding shares of Tonalli an option to purchase the remaining 50% of the shares of Tonalli which are owned by IFR. The Option to Purchase can be triggered by simple written notification by Jaguar to IFR and must close at any time between the signing the Letter of Intent and 90 days thereafter.

On May 2, 2023, IFR received US$262,500 from Jaguar as a deposit on the Option to Purchase. This deposit will be refunded by IFR within 15 business days in the event that Jaguar exercises the Option to Purchase, and IFR fails to achieve shareholder approval within 90 days of the exercise of the Option to Purchase, should such shareholder approval be required by the TSXV.

Completion of either the Proposed Farm-in Arrangement or the Option to Purchase are subject to a number of conditions which include but are not limited to the negotiation and execution of a definitive agreement for the Proposed Farm-In Arrangement upon exercise by Jaguar of the Option to Extend, or negotiation and completion of a Purchase and Sale Agreement upon exercise by Jaguar of the Option to Purchase. If either option is exercised by Jaguar, neither the Proposed Farm-In Arrangement nor the proposed sale of Tonalli's shares as described above can close until all the required approvals including TSX Venture Exchange ("TSXV") approval, shareholder approvals and relevant government authority approvals are obtained. The Option to Extend and the Option to Purchase, if exercised by Jaguar, are arm's length transactions. There are no finder's fees or commissions payable in connection with the Option to Extend or Option to Purchase.

Convertible Debenture

On June 11, 2021, the Company issued a 10% per annum secured convertible debenture (the "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 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.

At the Company's option, dependent upon the status of the Proposed Transaction, the Company may prepay without penalty the principal amount of the Convertible Debenture in cash or in common shares or convert the same to services.

Pursuant to the Company's successful completion of the Proposed Transaction, 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 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).

Pursuant to the terms of the debenture on July 5, 2021, $400,000 USD ($505,480 CAD equivalent at December 31, 2021) 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. On March 8, 2022, $100,000 USD of the amounts held in trust was released to the Company for its own account. The remaining $300,000 USD was released to the service company. In conjunction with the release of the funds held in trust, the Company made a principal repayment in the amount of $379,410 ($300,000 USD) against the outstanding balance of the Convertible Debenture.

On April 8, 2022, the parties entered into a Convertible Debenture Amendment Agreement (the "Amendment Agreement") where the lender agreed to the derecognition of $225,000 USD of the remaining balance of the Convertible Debenture plus any accrued interest owing leaving a remaining balance of $125,000 USD as at June 30, 2022. At June 30, 2022, and pursuant to the above the Company recorded a total gain on derecognition of convertible debentures in the amount of $518,445, which represents $417,400 CAD equivalent ($325,000 USD) in total principal derecognized and $101,045 CAD equivalent ($78,715 USD) in accrued interest derecognized as at June 30, 2022.

On August 25, 2022 pursuant to the sale of Tonalli shares to Jaguar the remaining balance of $125,000 USD plus accrued interest ($160,390 CAD) was derecognized as agreed to by the counterparty.

Summary of Fourth Quarter Results

For the three months ended	Three months ended, December 31, 2022	Three months ended, December 31, 2021	Three months ended, September 30, 2022	Three months ended, September 30, 2021
Statements of operations				
Interest income	$ -	$ 19,220	$ 48,135	$ 20,565
Net loss and comprehensive loss	$ (463,695)	$ (538,205)	$ (3,077,860)	$ (149,595)
Loss per share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.00)
Cash flow				
Net cash provided (used in)				
Operating activities	$ (134,280)	$ (171,295)	$ (52,320)	$ 192,798
Investing activities	$ 102,215	$ (490,570)	$ 8,690	$ (609,850)
Financing activities	$ (2,470)	$ 19,030	$ -	$ 254,602

	December 31, 2022	December 31, 2021
Statements of financial position		
Total assets	$ 86,010	$ 3,547,960
Working capital	$ (791,605)	$ 804,125

Q4 General and administrative expenses

Three months ended:	December 31 2022	September 30, 2022	December 31 2021
Professional fees	$ 120,395	$ 21,540	$ 198,240
Consulting fees and salaries	60,000	60,000	75,500
Rent and corporate costs	28,135	32,420	57,415
Filing and transfer fees	19,410	2,650	4,525
Corporate Travel	-	5,780	-
	$ 227,940	$ 122,390	$ 335,680

- In Q4, 2022, general and administrative expenses were $227,940, an increase of $105,550 or 86% as compared with $122,390 in Q3, 2022 (Q4, 2021- $335,680).
- The increase in G&A in the fourth quarter of 2022 is due to the accrual of audit fees for the year ended December 31, 2022 along with costs associated with the Company's Annual Meeting held in Q4 2022.

Q4 Net loss

- For the three months ended December 31, 2022, the Company recorded a net loss of $463,695 ($0.01 loss per share) as compared to $3,077,860 ($0.01 loss per share) for Q3, 2022 (net loss for Q4, 2021 - $538,205 or $0.00 loss per share).
- The increase in loss in Q3, 2022 as compared with Q4, 2022 is a result of impairment of shareholder loans due from Tonalli in Q3 2022.

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 December 31, 2022 and 2021 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due to related parties and long term debt. 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 December 31, 2022 are expected to be collected in 2023.

The following table presents the aging of the Company's accounts receivable at December 31, 2022:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 43,460	$ -	$ 6,410	$ -	$ 37,050

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 December 31, 2022.

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 December 31, 2022, the Company's accounts payables and accrued liabilities were $529,920 the majority of which are due to related parties of the Company at December 31, 2022. 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
$ 529,920	$ 132,670	$ 41,170	$ 36,270	$ 319,810

Accounting Policies and Estimates

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 statement of financial position as a liability. A change in estimated future asset restoration costs will change the liability on the statement of financial position 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 the Company's exploration projects.

Need to Replace and Grow Reserves

The future oil and natural gas production of the Company, 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 the Company 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 the Company 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 involve 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 the Company 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 the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participation are identified, the Company 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.

Volatility of Oil and Natural Gas Prices

The operational results and financial condition of the Company 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 the Company 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 the Company.

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, the Company is not fully insured against all of these risks, nor is all such risks insurable. Although the Company 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 the Company 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 the Company and may delay exploration and development activities. To the extent the Company 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 the Company 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. the Company 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 the Company.

Key Personnel

The success of the Company 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 the Company. the Company does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Company 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 the Company 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, Mexico federal and state law, 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 the Company or its assets. Such regulation may be changed to impose higher standards and potentially more costly obligations on the Company. There can be no assurance that future environmental costs will not have a material adverse effect on the Company.

Doing business in Mexico

These risks include but are not limited to: (i) The regulatory and legal environment; (ii) risks presented by political opposition to energy reform and public opinion; and (iii) security challenges presented by corruption and drug cartels.

Addressing the first two challenges calls for a comprehensive approach to public affairs; the logistical and security challenges require a strategy to safeguard a company's assets and its reputation. Failing to engage closely with government regulators can create miscommunications and lead to missed opportunities. Engaging with stakeholders outside the government may be even more essential than working within it.

Lastly, corruption, oil theft and drug-related violence continue to be significant concerns in Mexico. The government still needs to address how it plans to secure pipelines, zones of onshore exploration, and land bases for deep-water development. Companies that venture into some of the new areas would be advised to develop their own security infrastructure and plans.

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 Company’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.

With respect to forward-looking statements contained in this MD&A and other documents of public record, the Company has made assumptions regarding, among other things:
- future oil and natural gas production levels from the Company’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 Company'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;
- fluctuations in foreign exchange or interest rates and stock market volatility; and
- ability to raise project finance capital from chartered banks.

This forward-looking information represents the Company’s views as of the date of this MD&A and such information should not be relied upon as representing its views as of any subsequent date. IFR has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. There may be other factors, however, that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company 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 Company and factors that could affect its operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Company’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 Company 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 Company’s forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Other information

Additional information regarding the Company’s reserves and other data are available on SEDAR at www.sedar.com