International Frontier Resources Corporation
Management's Discussion and Analysis
2012 Annual and Fourth Quarter Results

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

The following is management's discussion and analysis ("MD&A") of International Frontier Resources Corporation's ("International Frontier" or "IFR" or 'Frontier' or the "Corporation" or the "Company") operating and financial results for the year ended December 31, 2012, as well as information concerning the Company's future outlook based on currently available information. The MD&A has been prepared by management as at April 18, 2013 in accordance with IFRS and should be read in conjunction with the audited financial statements as at December 31, 2012 and 2011 together with accompanying notes, the Statement of Reserves Data and Other Oil and Gas Information contained in the Company's annual information form dated December 31, 2012. This MD&A contains forward-looking statements, the definitions of which are defined herein.

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

The quarterly financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors. All financial measures presented in this MD&A Report are expressed in Canadian dollars unless otherwise indicate.

Business Overview

International Frontier Resources Corporation is an independent Canadian public company, the principle business of which is to acquire, develop, exploit and produce oil and natural gas in the Central Mackenzie Valley, Northwest Territories, Canada, northwest Montana USA and in south east Alberta. A summary of the Company's properties as of April 18, 2013 is as follows.

Central Mackenzie Valley, NWT ("CMV")

As of the date of this MD&A the Company has participated in nine exploration wells in the CMV, IFR was fully carried in three wells and partially carried in a fourth well. Hydrocarbons were encountered in four wells and five wells were abandoned and the drill sites restored. The Company participated in three aero-mag surveys and four proprietary 2D seismic surveys, the cost to acquire the data was approximately $60 million (gross) $7 million net to IFR.

Summit Creek – 11,380 acres

The well *Husky et al Summit Creek B-44-64-30-125-45* lies in the foothills of the Mackenzie Mountains, 110 kilometers south of the town of Norman Wells. The B-44 well was drilled to a depth of 10,050 feet cased and suspended. Production testing of the *Summit Creek B-44* well confirmed several productive intervals within a gross hydrocarbon column of over 600 feet in the Devonian Formation. Two separate intervals, encompassing net pay of 255 feet, were flow tested, each zone produced at rates of approximately 10 MMCF/D of natural gas and 3,000 barrels per day of condensate.

The Company's independent reserve evaluator assigned contingent gross resources of 38.7 billion cubic feet of gas and six million barrels of oil (Best Case 42% recovery) and a high case of 163 billion cubic feet of gas and 27 million barrels of condensate (61% recovery). The Company estimates that three development wells are required to drain the gas/condensate pool.

Partners in the Summit Creek SDL are Husky Oil Operations (operator) 59.28%, Taqa North 32.50% and IFR 8.2112%.

Stewart Lake – 19,990 acres

The well *Husky et al Stewart Lake D-57-64-20-125-15* is located 30 kilometers south of the Summit Creek SDL. The well was drilled on TDL freehold parcel M-38 to a total depth of 10,322 feet, open hole tested, cased and suspended. The D-57 well tested sweet dry natural gas at a rate of 5 MMCF/D (unstimulated) from two separate reservoirs of Cretaceous-aged sandstones. The structure covers nine crown sections on which two SDL's have been granted; TDL freehold parcel M-38 is located in the middle of the two SDL's. Based on IFR's acreage position in the Stewart discovery area the Company estimates it holds 16.50% of the SDL reserves. Four development wells are required to drain the Stewart SDL area. The Company's independent reserve evaluator assigned contingent gross resources for the Stewart discovery SDL area of 20 billion cubic feet (best estimate) and 63 billion cubic feet (high estimate).

There is significant upside on the Cretaceous play as the Little Bear sands in the *Stewart D-57* well are mappable over a much larger area that includes the *Summit Creek wells B-44 and K-44,* the Stewart D-30 well and the Keele River 1-01 and N-62 wells.

Partners in the Stewart Lake SDL's are Husky Oil Operations (operator) 59.28%, Taqa North 32.50% and IFR 8.221%. Partners in TDL freehold parcel M-38 are Husky Oil Operations (operator) 75% and IFR 25%.

Sah Cho L-71 TDL Parcel M37 – 16,987 acres

The *Husky et al Sah Cho L-71* well was drilled and cased to a total depth of 12,100 feet. The primary objectives, the Arnica and Hume zones encountered gas and water. Prospective zones that have not been tested include the Cretaceous age Arctic Red and the Little Bear sands.

Partners in the *Sah Cho L-71* well and in TDL freehold parcel M-37 are Husky Oil Operations (operator) 75% and IFR 25%.

TDL Freehold Parcel M39 – 11,584 acres

Freehold parcel M-39 is located within Exploration License EL-472 which was awarded to Imperial Oil 50% and ExxonMobil 50% at the 2011 land sale for a work commitment of $21.5 million. Parcel M-39 is held Husky Oil Operations (operator) 75%, IFR 25%.

Unconventional Shale Play - CMV

As of the date of this MD&A five vertical pilot wells have been drilled to evaluate the Devonian-age Canol-Hare Indian and Bluefish shale's. The pilot wells were drilled to assess the viability of developing the target zone with horizontal drilling and multi-stage-fracking technology. The Canol is the source rock that generated oil in the Norman Wells oilfield (250+ million barrels recoverable) and the hydrocarbons in the Company's Summit Creek discovery.

Interpretation of the Company's proprietary seismic and well data indicates that the Canol-Hare Indian and Bluefish shale's are prospective exploration targets on our acreage. The Canol Hare-Indian ranges in thickness from 77 to 162 meters on the Company's acreage.

The Summit Creek and Stewart Lake acreage is held under Significant Discovery Licenses therefore it does not expire until all reserves are produced. The Company's Tulita District freehold leases can be renewed each year by paying annual rentals in the amount of $103,000 (net).

Glacier County, NW Montana

The Company owns Mineral Titles on 15,200 un-evaluated freehold acres ("Fee Acreage") located on the Blackfeet Reserve ("Reserve") in Glacier County, NW Montana. Glacier County sits on the south end of the Southern Alberta Basin ("SAB") where industry is drilling horizontal-multi-stage-fracced wells to evaluate tight-oil formations.

Approximately 90% of the Company's Fee Acreage is under lease to Anschutz Exploration, Newfield Exploration and Rosetta Resources, all of who have been drilling exploratory wildcat wells to evaluate tight-oil-formations on the Reserve. The Company's leases reserve in favor of IFR royalties ranging from 12.50% to 18.50%. The average term remaining on our existing leases is 2.5 years. When a lease expires the acreage reverts back the Company resulting in the Company holding a 100% net revenue lease.

As of the date of this MD&A 18 horizontal wells and 14 vertical stratigraphic pilot wells have been drilled on the Reserve, well data is currently classified as confidential.

The Montana Board of Oil & Gas Conservation reports indicate light oil and associated gas was encountered in the Bakken, Nisku, Second White Specs (Cone), Sun River Dolomite and Virgelle Sandstone in the wells drilled on the Reserve.

As the Company owns title on its Fee Acreage it does not expire.

South East Alberta

The Company owns a 100% interest in five producing oil wells and an oil battery in the Alderson area. The wells produce between 35 – 40 BOPD from the Mannville Formation.

The Company owns a 100% interest in 1,120 acres located in the Manyberries area. The property is prospective for conventional light oil in the Sawtooth and Sunburst Formations. The Manyberries leases expire in 2016 and 2017.

The Company's MD&A for the year ending December 31, 2012 is provided as follows.

Liquidity, capital resources and financing activities

Working Capital

At December 31, 2012 cash and cash equivalents were $3,456,380 (December 31, 2011 $4,037,930), and working capital was $3,018,180 (December 31, 2011 - $3,065,520). At December 31, 2012 the Company had restricted cash securing letters of credit in the amount of $Nil (2011 - $374,305); the letters of credit secure work deposits on the Company's Northwest Territories Exploration Licenses. At December 31, 2011 the Company set up a provision for EL-443 in the amount $305,555, this license was forfeited and the remaining deposit of $305,555 was paid in 2012. At December 31, 2009 the Company set up a provision for EL-445 in the amount of $68,750 and wrote these costs off as impairment costs in that year. During 2012 the Company received notification that $35,155 net of the total deposit qualified as eligible expenditures, as a result the Company paid the remaining amount of the deposit of $33,595 for EL-445 in 2012.

The decrease in working capital at December 31, 2012 is the result of forfeiture and payment of $374,305 for work deposits relating to NWT exploration licenses during the year, $81,920 incurred with respect to property and equipment and $167,595 incurred with respect to exploration and evaluation assets in 2012.

Future Capital Requirements

The Corporation regularly forecasts its capital needs on an annual, quarterly and monthly basis. The Corporation's current internally generated cash flows do not provide sufficient capital for the Corporation's current exploration plans. Historically, the Corporation has relied on proceeds from the sale of its Common Shares to fund its operations. In order to accelerate the Corporation's current exploration programs the Corporation may require additional capital. The timing, pace, scope and amount of the Corporation's capital expenditures is largely dependent on the operators capital expenditure program(s) and the availability of capital to the Corporation.

The Corporation may obtain funds for future capital investments from strategic alliances with other energy or financial partners, the issuance of additional Common Shares, preferred shares or debt securities, project financing, sale of property interests, or other arrangements, all of which may dilute the interest of the Corporation's existing shareholders or the Corporation's interest in the specific project financed. The Corporation may change the allocation of capital among the categories of anticipated expenditures depending upon future events that the Corporation cannot predict. For example, the Corporation may change the allocation of its expenditures based on the actual results and costs of future exploration, appraisal, development, production, property acquisition and other activities. In addition, the Corporation may have to change its anticipated expenditures if costs of placing any particular discovery into production are higher, if the field is smaller or if the commencement of production takes longer than expected.

In the management of capital, the Company includes shareholders' equity, cash and cash equivalents, and restricted cash less accounts payable and current portion of decommissioning liabilities in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company is reasonable. As at December 31, 2012, the Company's capital as defined above was approximately $2,921,040 (December 31, 2011 – $2,925,055).

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

Annual Results

The following table summarizes results for the years 2012 and 2011:

	2012	2011
Statement of operations		
Sales volumes - BOE/ day (Canada)	38	37
Production volumes - BOE/ day (Canada)	38	37
Oil revenues, net (Canada)	$ 752,390	$ 770,850
Interest income from continuing operations	$ 27,405	$ 36,105
Net loss from continuing operations	$ (575,440)	$ (673,340)
Loss per share	$ (0.01)	$ (0.01)
Cash flow		
Net cash provided (used in)		
Operating activities	$ (502,865)	$ (229,245)
Investing activities	$ (78,685)	$ (2,546,015)

	2012	2011
Balance sheet		
Assets		
Exploration and evaluation assets	$ 9,374,950	$ 9,814,875
Property and equipment	$ 1,101,270	$ 1,109,615
Total assets	$ 14,282,915	$ 15,727,840
Working capital	$ 3,018,180	$ 3,065,520
Investing Activities		
Exploration and evaluation assets		
Canada	$ 104,595	$ 437,570
United States	63,000	3,193,370
	$ 167,595	$ 3,630,940
Property and equipment		
Canada	$ 81,920	$ 76,610
United States	-	-
	$ 81,920	$ 76,610

Summary of Alderson Operations

Twelve months ended	December 31, 2012	December 31, 2011
Sales volumes (Bbl/day)	38	37
Production volumes (Bbl/day)	38	37
Oil Sales	$ 990,465	$ 1,017,325
Royalties	238,075	246,475
Net Revenues	752,390	770,850
Operating expenses	439,930	363,235
Net Income	$ 312,460	$ 407,615
Oil Sales ($/BBL)	$ 70.62	$ 75.93
Operating costs ($/BBL)	$ 31.37	$ 27.11
Depletion per BOE	$ 11.09	$ 11.77
Depletion	$ 156,070	$ 158,910
Total production volumes	14,069	13,505

- Oil sales and production volumes in 2012 were 38 Bbl/day, which is consistent with 37 Bbl/day in 2011.
- Oil revenue in 2012 was $990,465, a decrease of 2.64% as compared to $1,017,325 in 2011.
- Oil revenue in 2012 was lower due to a 7 % decrease in oil prices.
- In 2012 the Company paid royalties of $238,075,which is consistent with $246,475 in 2011.
- During the year the Company paid $39,500 (2011 - $39,690) to employees and consultants pursuant to the Company`s Royalty Incentive Plan.
- Operating expenses in 2012 were $439,930 or $31.37 per Bbl an increase of 15.71% per Bbl as compared to $363,235 or $27.11 per Bbl in 2011.
- The increase in operating expenses in 2012 was due to costs incurred for battery and pipeline upgrades.

Interest income

- In 2012 the Company earned interest income of $27,405 from short-term investments (2011 - $36,105).
- The decrease in interest income in 2012 was due to a decrease in funds invested during the year.

Depletion, depreciation and impairments

Depletion, depreciation and impairments at December 31, 2012 and 2011 consist of the following;

Depletion, depreciation and impairments	Dec. 31, 2012	Dec. 31, 2011
Depletion of oil and gas properties	$ 156,070	$ 158,910
Impairment of oil and gas properties	-	39,810
Depreciation of Alderson Battery	9,475	
Depreciation of equipment	1,775	2,330
	$ 167,320	$ 201,050

- Depletion of oil and gas properties for the year ended December 31, 2012 was $156,070 or $11.09 per Bbl that is consistent with $158,910 or $11.77 per Bbl in 2011.
- At December 31, 2012 an impairment test was performed which calculates the amount by which the carrying amount of capitalized costs related to producing properties exceeds the fair value of the reserves as estimated by the Company's reservoir engineers at December 31, 2012. As a result a $Nil (2011 - $39,810) impairment charge of petroleum and natural gas assets has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves in Canada.

Exploration and evaluation costs

- The carrying value of exploration and evaluation properties of $9,374,950 at December 31, 2012 (December 31, 2011 - $9,814,875) have been evaluated and it was determined that no costs had met the requirements to be transferred to property and equipment.
- These costs were also evaluated for impairment and it was determined that an impairment of $Nil existed at December 31, 2012. At December 31, 2011 an impairment of $307,155 existed with respect to expiration of licenses in the NWT.
- At December 31, 2011 the Company booked a recovery of exploration and evaluation assets in the amount of $35,155 for eligible expenditures on EL-445, the total amount of the license of $68,750 was written off in 2009.

Accretion of asset retirement obligation

- Accretion of asset retirement obligations at December 31, 2012 were $15,030, a decrease of $5,810 compared to $20,840 in 2011.
- Decrease in accretion in 2012 is due to a decrease in decommissioning liabilities in the Northwest Territories at December 31, 2012.

General and administrative expenses

December 31.	2012	2011
Investor relations	$ 16,440	$ 29,970
Filing and Transfer Fees	22,770	28,675
Professional Fees	61,635	92,270
Consulting fees and salaries	230,425	224,060
Rent and corporate costs	147,800	166,095
	$ 479,070	$ 541,070

- In 2012 general and administrative expenses were $479,070 a decrease of $62,000 or 11.46% as compared with $541,070 in 2011.

Share based compensation

- There were no stock options granted in the year ended December 31, 2012.
- Share based compensation costs of $97,190 were calculated using the Black Scholes model for options granted in the second and fourth quarters of 2011.

Net loss

- For the year ended December 31, 2012 the Company recorded a net loss of $575,440 ($0.01 loss per share) as compared to $673,340 ($0.01 loss per share) at December 31, 2011.
- The decrease in net loss in 2012 is due to an impairment of exploration and evaluation assets in NWT, Canada in 2011 of $307,555 and depletion, depreciation and impairments of properties and equipment in Canada of $39,810. There were no impairments booked in 2012.

Financial Instruments

As disclosed in Note 3 to the financial statements, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, foreign exchange risk, fair value risk and industry credit risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

a) Fair value of financial assets and liabilities: The Company's financial instruments as at December 31, 2012 and 2011 include cash and cash equivalents, trade accounts receivable, restricted cash, deposits and trade accounts payable. The fair values of trade accounts receivable, deposits and trade accounts payable approximate their carrying amounts due to their short terms to maturity. The cash and cash equivalents and the restricted cash balances are equal to their fair values.

	2012		**2011**	
	Carrying Value ($)	**Fair Value ($)**	**Carrying Value ($)**	**Fair Value ($)**
Financial assets:				
Receivables	83,095	83,095	118,830	118,830
Deposits	253,175	253,175	250,650	250,650
Total financial assets	336,270	336,270	369,480	369,480
Financial liabilities				
Payables and accruals	523,700	523,700	1,473,195	1,473,195
Total financial liabilities	523,700	523,700	1,473,195	1,473,195

The Company classifies the fair value of financial instruments at fair value through profit or loss according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At December 31, 2012 cash and cash equivalents and restricted cash have been classified as Level 1.

b) **Credit risk:** Substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Though, the Company markets its oil to only one-marketer revenues are not significant so that the exposure to the Company is minimized. Management does not believe that there is significant credit risk arising from any of the Company's customers or partners, as substantially all amounts outstanding at December 31, 2012 have been received subsequent to period end. The maximum exposure to loss arising from accounts receivable at any given time is equal to their total carrying amounts on the balance sheet.

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 83,095	$ 81,865	$ 1,230	$ -	$ -

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, 2012.

d) **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, 2012, the Company's accounts payable and accrued liabilities were $523,700 all of which are due for payment within normal terms of trade, which is generally between 30 and 60 days. The Company regularly reviews its accounts payable balances and follows up on amounts past due. The Company's financial liabilities are summarized below:

Total payables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 523,700	$ 344,680	$ 141,530	$ 1,405	$ 36,085

Investing Activities

Exploration and evaluation assets

	Twelve months ended December 31,					
	2012			2011		
	Canada	United States	Total	Canada	United States	Total
Cash Expenditures	$ 104,595	$ 63,000	$ 167,595	$ 132,245	$ 2,232,075	$ 2,364,320
EL -443 Accrual	-	-	-	$ 305,555	-	305,555
Property accruals	-	-	-	-	961,065	961,065
	$ 104,595	$ 63,000	$ 167,595	$ 437,800	$ 3,193,140	$ 3,630,940

- Capital expenditures in 2012 were $167,595 (2011 - $2,364,320) of which $104,595 or 62% (2011 – 6%) is related to activities in Canada and $63,000 or 38% (2011 – 94%) is related to the costs to acquire mineral titles in Northwest Montana, USA.
- At December 31, 2012, the Company accrued $961,040 with respect to the purchase of mineral titles in Glacier County, NW Montana USA. The purchase and sale agreements were amended before closing which resulted in the Company paying $607,520 less than the cost accrued at December 31, 2011.
- Final consideration to purchase the Montana Mineral Titles was paid and the deal was closed in Q1 2013.

Property and equipment

- During 2012 the Company incurred $81,920 (2011 - $76,620) with respect to a battery turnaround and pipeline upgrading costs on the Company's oil property in Alderson. Alberta.

Obligations

- The Company is party to an agreement to lease its premises until December 31, 2014. The annual rent is $43,400 plus occupancy costs for 2013 & 2014.
- The Company has established a Royalty Incentive Agreement for employees, consultants and senior executives that are also directors. Under the plan, the compensation committee issues units on an annual basis to employees, consultants and directors. The units entitle the holder to receive an annual payment based on 2% of the Company's annual production revenue, net of transportation and processing fees. Under the terms of the agreement, once the Company has recovered payout of 100% of its cumulative annual capital expenditures from licenses and lands owned by the Company, the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees. At December 31, 2012, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson oil property.

Related Party Transactions

Certain officers who are directors and consultants provide professional, consulting and management services to the Company and are eligible to receive royalties pursuant to the Company's Royalty Incentive Plan. The amounts paid to officers (directors) and consultants during for the year ending December 31, 2012 are provided below, these costs are included in general and administrative expenses on the statements of operations and comprehensive loss at December 31, 2012:

- Compensation paid to executive officers was $228,520 (2011 - $213,750). At December 31, 2012 royalties of $39,500 (2011 - $39,690) were paid to officers and consultants pursuant to the Company's Royalty Incentive Plan.

Summary of Fourth Quarter Results

Selected financial information:

	Three months ended, December 31,		Three months ended, September 30	
	2012	2011	2012	2011
Statement of operations				
Sales volumes - BOE/ day (Canada)	41	39	33	48
Production volumes - BOE/ day (Canada)	40	41	32	44
Oil revenues, net (Canada)	$ 189,930	$ 223,440	$ 155,750	$ 242,630
Interest Income	$ 9,615	$ 10,225	$ 3,220	$ 7,780
Net earnings (loss) and comprehensive loss	$ (322,845)	$ (297,685)	$ (136,755)	$ (29,550)
Net earnings (loss) per share	$ (0.01)	$ (0.00)	$ (0.002)	$ (0.00)
Cash flow				
Net cash provided (used in)				
Operating activities	$ (315,130)	$ 139,525	$ (59,385)	$ (1,820)
Investing activities	$ 218,080	$ (208,320)	$ (68,695)	$ (1,877,595)

Summary of Alderson Operations

Three months ended:	December 31, 2012		September 30, 2012		December 31, 2011	
Sales volumes (Bbl/day)		41		33		39
Production volumes (Bbl/day)		40		32		41
Oil Sales	$	248,940	$	202,930	$	299,725
Royalties		59,010		47,180		76,285
Net Revenues		189,930		155,750		223,440
Operating expenses		103,970		119,835		54,715
Net Income	$	85,960	$	35,915	$	168,725
Oil Sales ($/BBL)	$	66.70	$	66.82	$	83.96
Operating costs ($/BBL)	$	27.87	$	39.46	$	15.33
Depletion per BOE	$	11.32	$	11.15	$	15.24

- Sales volumes for the three months ended December 31, 2012 were 41 Bbl/day a 24.24% increase as compared to 33 Bbl/day for the third quarter of 2012 (Q4, 2011 – 39 Bbl/day)
- Oil revenue in Q4, 2012 was $248,940 an increase of $46,010 or 22.67% as compared to $202,930 in Q3, 2012 (Q4, 2011 - $299,725)
- Increase in sales volumes and revenues in the fourth quarter of 2012 are due to increased production resulting from a field maintenance program in Q3, 2012.
- In Q4, 2012 the Company paid royalties of $59,010 and increase of 25.07% as compared to Q3, 2012 (Q4, 2011 - $76,285). The increase in royalties is consistent with the increase in production in the period.
- Operating expenses in the fourth quarter of 2012 were $103,970, a decrease of $15,865 or $11.59 per Bbl as compared to the third quarter of 2012 (Q4, 2011 - $54,715 or $15.33 per Bbl)

Interest income

- In Q4, 2012 interest income from short-term investments was $9,615 (Q3, 2012 - $3,220, Q4, 2011 - $10,225) the decrease is due to a decrease in the amount invested at December 31, 2012.

Depletion, depreciation and impairments

For the three months ended:	December 31, 2012		September 30, 2012		December 31, 2011	
Depletion of oil and gas properties	$	42,000	$	32,960	$	57,590
Amortization of Alderson Battery		2,395		2,395		
Impairment of oil and gas properties		(12,000)		-		39,810
Depreciation of equipment		315		425		530
	$	32,710	$	35,780	$	97,930

- Depletion of oil and gas properties for the three months ended December 31, 2012 was $42,000 or $11.32 per Bbl, compared to $32,960 or $11.15 per Bbl in Q3, 2012. (Q4, 2011 $57,590 or $15.21 per Bbl)

Accretion of asset retirement obligation

- Accretion of asset retirement obligations for the three months ended December 31, 2012 was $3,720 compared to $3,570 in Q3, 2012 (Q4, 2011 - $3,660).

General and administrative expenses

Three months ended:		31-Dec-12		30-Sep-12		31-Dec-11
Investor relations	$	900	$	6,945	$	9,985
Filing and transfer fees		1,480		900		2,120
Professional fees		49,090		1,050		12,605
Consulting fees and salaries		64,650		61,865		55,840
Rent and corporate costs		41,930		27,725		57,590
	$	158,050	$	98,485	$	138,140

- In Q4 general and administrative expenses were $158,050 an increase of $59,565 or 60.48% as compared with $98,485 in Q3, 2012 (Q4, 2011 - $138,140)
- The increase in G&A is due to year-end accruals for audit fees at December 31, 2012.

Net loss

- For the three months ended December 31, 2012 the Company recorded a net loss of $322,845 ($0.01 loss per share) as compared to $136,755 ($0.00 loss per share) for Q3, 2012 (Net loss for Q4, 2011 - $297,685 or $0.00 loss per share)
- The increased loss in Q4 as compared with Q3 is a result of reclamation costs in the Northwest Territories in the amount of $233,945, and an accrual for year-end audit fees and 51-101 reserve report costs of $55,000 mitigated by an increase in oil revenue in Q4, 2012 of $34,180 and an increase in foreign exchange.

Summary of Quarterly Results

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

Quarter ended:	Mar 31, 2011	June 30, 2011	Sept 30, 2011	Dec. 31, 2011
Statement of operations				
Sales volumes - BOE/ day (Canada)	26	34	48	39
Production volumes - BOE/ day (Canada)	28	35	44	41
Oil revenues, net (Canada)	$ 122,665	$ 182,115	$ 242,630	$ 223,440
Net earnings (loss) from continuing operations	$ (132,955)	$ (213,150)	$ (29,550)	$ (297,685)
Net earnings (loss) per share				
Net loss per share	$ (0.002)	$ (0.004)	$ (0.000)	$ (0.005)
Balance Sheet				
Total assets	$ 14,985,285	$14,543,495	$ 14,462,870	$ 15,727,840
Working capital	$ 6,124,775	$ 5,901,525	$ 4,375,000	$ 3,065,520
Refundable Deposits	$ 640,670	$ 374,305	$ 374,305	$ 374,305
Funds flow from operations	$ (187,105)	$ (179,725)	$ (1,820)	$ 139,525

Quarter ended:	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec. 31. 2012
Statement of operations				
Sales volumes - BOE/ day (Canada)	40	39	33	41
Production volumes - BOE/ day (Canada)	40	41	32	40
Oil revenues, net (Canada)	$ 222,260	$ 184,450	$ 155,750	$ 189,930
Net earnings (loss) and comprehensive loss	$ (53,675)	$ (62,165)	$ (136,755)	$ (322,845)
Net earnings (loss) per share				
Net loss per share	$ (0.001)	$ (0.001)	$ (0.002)	$ (0.005)
Balance Sheet				
Total assets	$ 15,625,940	$15,074,790	$ 14,916,380	$ 14,282,915
Working capital	$ 3,014,555	$ 2,926,350	$ 2,775,875	$ 3,018,180
Refundable Deposits	$ 305,555	$ -	$ -	$ -
Funds flow from operations	$ (27,955)	$ (100,395)	$ (59,385)	$ (315,130)

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	December 31, 2012	April 18, 2013
Common shares outstanding	59,578,965	59,578,965
Options outstanding	5,181,500	5,181,500
Fully diluted	64,760,465	64,760,465

Additional details on the shares and stock options outstanding at December 31, 2012 are available in the notes to the December 31, 2012 audited financial statements.

Accounting Policies and Estimates

The Company is assessing the new and revised accounting pronouncements that have been issued that are not yet effective:

Changes in accounting policies and new pronouncements

The Company is assessing the new and revised accounting pronouncements that have been issued that are not yet effective:

1. Presentation of Financial Statements

In June 2011, the International Accounting Standards Board ("IASB") issued IAS 1, "Presentation of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements." The amendments stipulate the presentation of net earnings and OCI and also require the Company to group items within OCI based on whether the items may be subsequently reclassified to profit or loss. The standard is required to be adopted for periods beginning on or after July 1, 2012. Adoption of this standard is not expected to have a significant impact on the Financial Statements.

2. Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation" to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective for the Company on January 1, 2013 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective for the Company on January 1, 2014 with required retrospective application and early adoption permitted. The Company intends to retrospectively adopt the IFRS 7 amendments on January 1, 2013 and the IAS 32 amendments on January 1, 2014. The adoption of these amended standards is not expected to have a material impact on the Company's financial statements.

3. Financial Instruments: Recognition and Measurement

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*. It contained requirements for the classification and measurement of financial assets, and was updated in October 2010 to incorporate financial liabilities. The standard is applicable for annual periods starting on or after January 1, 2015.

4. Reporting Entity

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statement*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, and amendments to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IFRS 10 creates a single consolidation model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation accounting to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles. Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier application permitted if all five standards are collectively adopted. The company is currently assessing the impact of these standards.

4. Fair Value Measurements

In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for all fair value measurements, clarifies the definition of fair value, and enhances the disclosures on fair value measurement. Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with early application permitted. The company does not anticipate significant changes to its fair value measurements and related disclosures as a result of this standard.

Critical Accounting Estimates

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

Operational and other business risks

Current Economic Conditions

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

Need to Replace and Grow Reserves

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

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

Exploration, Development and Production Risks

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

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

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

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

Reserve Estimates

The production forecast and recoverable estimates contained in International Frontier's engineering report are only estimates and the actual production and ultimate recoverable reserves from the properties may be greater or less than the independent estimates of McDaniel & Associates Consultants Ltd. There is no certainty that it will be commercially viable to produce any portion of the contingent resources identified in the May 2010 McDaniel & Associates report on the Company's assets in the Northwest Territories.

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived thereof, including many factors that are beyond the control of International Frontier. The reserve and cash flow information set forth herein represent estimates only. The reserves and estimated future net cash flow from the assets of International Frontier have been independently evaluated effective December 31, 2012 by McDaniel & Associates Consultants Ltd. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditure, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of International Frontier. Actual production and cash flows derived thereof will vary from these evaluations, and such variations could be material. The foregoing evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived thereof contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Contingent Resources

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

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

There is no certainty that a gas pipeline will be constructed to tie-in the Company's contingent resources, nor is there certainty that it will be commercially viable to produce any portion of the contingent resources identified in the McDaniel & Associates NWT contingent resource report date May 2010.

Volatility of Oil and Natural Gas Prices

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

Operational Hazards and Other Uncertainties

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

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

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

Competition

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

Key Personnel

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

Environmental Risks

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

Forward Looking Statements

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

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

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

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

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

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

- general economic, political, market and business conditions;
- risks inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, capital, acquisitions of reserves, undeveloped lands, drilling equipment and skilled personnel;
- geological, technical, drilling and processing problems;
- incorrect assessments of the value of acquisitions;
- the availability of capital on acceptable terms;
- volatility in market prices for oil and natural gas;
- actions by governmental authorities, including regulatory, environmental and taxation policies; and
- fluctuations in foreign exchange or interest rates and stock market volatility
- ability to raise project finance capital from chartered banks

Other information

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