# International Frontier Resources Corporation

## Annual Information Form

## For the year ended December 31, 2016

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## GLOSSARY OF TERMS

In this Annual Information Form, capitalized terms shall have the meanings set forth below:

**IFR**, **we**, **us**, **our, Corporation, Company** means International Frontier Resources and all its controlled entities as a consolidated body

**Tonalli** means Tonalli Energia S.A.P.I de C.V.:

**Petro Forntera** means Petro Frontera de S.A.P.I. de C.V.

**Common Shares** means the common shares in the capital of International Frontier Resources

**NI 51-101** means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

**Shareholders** means holders of Common Shares of International Frontier Resources

**Abbreviations and Conversions Oil**

| | |
|---|---|
| bbl | barrel |
| Mbbl | thousand barrels |
| bbl/d | barrels per day |

**Reserves**

| | |
|---|---|
| PDP | proved developed producing |
| PNP | proved non producing |
| PUD | Proved undeveloped |
| TP | Total proved |
| PADP | Proved and developed producing |
| PANP | Proved and non producing |
| TPA | Total proved |
| PPDP | Proved plus probable developed producing |
| PPNP | Proved plus probable non producing |
| PPUD | Proved plus probabl undeveloped |
| TPP | Total proved producing |

**Other**

| | |
|---|---|
| boe | barrels of oil equivalent |
| boe/d | barrels of oil equivalent per day |
| Mboe | thousand barrels of oil equivalent |
| $MM | million dollars |

All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated

## FORWARD LOOKING INFORMATION

Certain statements contained in this Annual Information Form, 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 Annual Information Form should not be unduly relied upon. These statements are made only as of the date of this Annual Information Form.

In particular, this Annual Information Form 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 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.
- Third party resource estimates.

With respect to forward-looking statements contained in this Annual Information Form and other documents of public record, the Company 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 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:

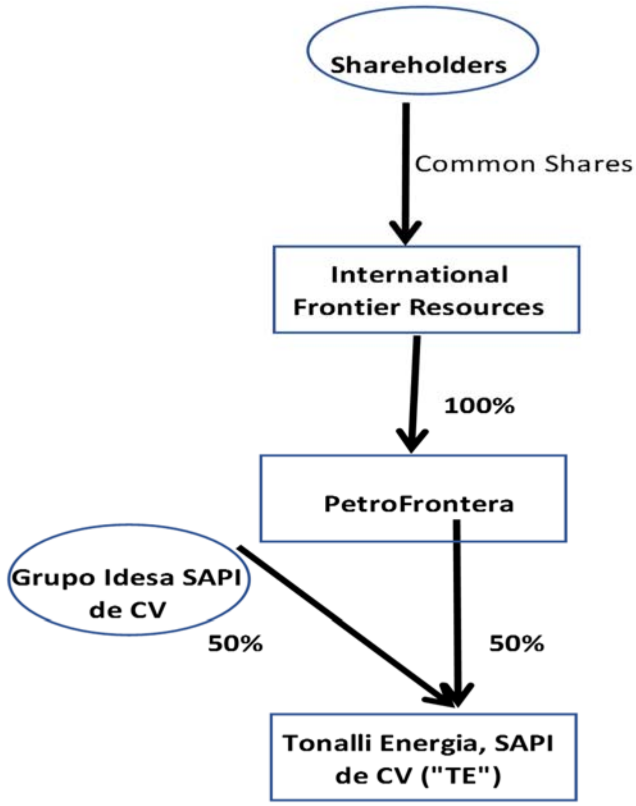
- general economic, political, market and business conditions;
- risks inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, capital, acquisitions of reserves, undeveloped lands, drilling equipment and skilled personnel;
- 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; and
- fluctuations in foreign exchange or interest rates and stock market volatility
- ability to raise project finance capital from chartered banks

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form and the documents incorporated by reference herein are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by securities laws or regulations.

## ACCESS TO DOCUMENTS

Any document referred to in this Annual Information Form and described as being filed on our SEDAR profile at www.sedar.com (including those documents referred to as being incorporated by reference in this Annual Information Form) may be obtained free of charge from us at 2410, 520 – 5th Avenue SW, Calgary, Alberta, T2P 3R7.

## CORPORATE STRUCTURE




## GENERAL DEVELOPMENT OF THE BUSINESS

International Frontier Resources Corporation 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 Central Mackenzie Valley ("CMV"), Northwest Territories, Canada, and in north-west Montana in the United States.

**2014**

- In November 2014, the Company completed a private placement of 2.8 Million units at a price of $0.065. Each unit consisted of one common share of the Company (a "Share") and one common share purchase warrant (a "warrant"). Each warrant entitles the holder thereof to purchase one Share at a price of $0.10 for a period of two years for the date of issuance.

**2015**

- In April 2015, the Company formed a Mexican subsidiary, Petro Frontera S.A.P.I de CV (Frontera) to allow for
  - (i) the study of, and bidding on, assets in Mexico's initial oil and gas Energy Reform bid round in 2015;
  - (ii) the acquisition and participation in services contracts that are currently migrating to exploration and production contracts;
  - (iii) and the development of other petroleum and natural gas assets in Mexico.
- On September 3, 2015, the Company registered and was granted access to the National Hydrocarbons Commission (CNH) data room for the third tender of Mexico's oil and gas bidding round.
- On October 1, 2015 the Company entered into a strategic joint venture with Grupo Idesa S.A. de CV ("IDESA") in order to facilitate the evaluation and joint study of business opportunities in the Mexican oil and gas sector, in particular the first bidding round of the Onshore Blocks of the "Ronda 1" bidding process from the Mexican government.

- IFR, through its Mexican subsidiary Petrofrontera, and IDESA formed a 50/50 joint venture company in Mexico, “Tonalli Energia, S.A.P.I de C.V.
- on December 2, 2015, the Company closed a non-brokered private placement of 17,000,000 Units at a price of $0.065 per Unit for gross proceeds of $1,105,000. Each Unit consisted of one (1) common share of the Company (a "Share") and one (1) common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Share at a price of $0.10 for a period of two years from the date of issuance.
- In addition, due to an oversubscription of funds, the company has closed a second tranche of units consisting of 2,161,880 Units at a price of $0.10 for gross proceeds of $216,188. Each Unit consists of one (1) common share of the Company (a "Share") and one (1) common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Share at a price of $0.13 for a period of two years from the date of issuance.
- On December 15, 2015, Tonalli Energia, bid on four onshore blocks in Mexico’s historic bid round. Although competitive, Tonalli was not awarded any licenses. Tonalli was runner-up in bidding for Block 6 Catedral and Block 24 Tecolutla.

**2016**

- on January 21, 2016, the Company made an application to the TSX Venture Exchange for approval to extend the expiry date of a total of 6,800,000 non-transferable share purchase warrants. A total of 4,000,000 warrants have a current expiry date of November 12, 2016 and 2,800,000 warrants have a current expiry date of October 29, 2016. All warrants are exercisable at a price of $0.10. The Company is applying to extend the term of the warrants to December 2, 2017, which is in line with the private placement warrant period previously announced on December 2, 2015. The application was approved on February 8, 2016.
- On May 12, 2016 Tonalli Energia was notified by the Mexico Comision Nacional de Hidrocarburos (CNH) that it had been awarded the Onshore Oil and Gas Development Block 24 (Tecolutla Block) with an incremental royalty of 31.22%.
- The Tecolutla Block is a 7.2 km2 block in the Tampico-Misantla Basin located within the state of Veracruz. The producing carbonate oil reservoir in the Tecolutla Block is the El Abra formation at a depth of 2,340 meters. 3D seismic has been acquired over the entire block and 7 existing vertical wells have been drilled by Pemex to bring the field into production. Cumulative production on a well by good basis from four key vertical wells has been 316,000, 507,000, 267,000, and 352,000 barrels each to date. Like many oil and gas fields in Mexico International Frontier's technical team believes oil production from Tecolutla has not been optimized. The Company has re-evaluated the field using existing well control and 3D seismic and believe that horizontal drilling and workovers will yield daily production results that exceed the historical peak production rates.
- on June 29, 2016, the Company closed a non-brokered private placement of 12,800,000 Units at a price of $0.125 per Unit for gross proceeds of $1,600,000. Each Unit consists of one (1) common share of the Company (a "Share") and one-half common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder thereof to purchase one Share at a price of $0.18 for a period of two years from the date of issuance.
- On August 25, 2016, Tonalli Energia (“Tonalli”) met all the terms and conditions and signed a license contract with the Mexico Comision Nacional de Hidrocarburos (CNH) for the Onshore Oil and Gas Development Block 24 (“Tecolutla”), granting Tonalli the right to develop and produce hydrocarbons. The license agreement was accepted for filing on by the TSX on September 23, 2016.
- As required by the CNH, Tonalli secured from a Mexican institution a US$1,764,100 performance bond toward the guarantee of performance of the minimum work programs. Upon completion of the minimum work program, the performance bond will be returned.

- On October 4, 2016 President Steve Hanson was appointed Chief Executive Officer (CEO) and Pat Boswell, previously CEO and Chairman of the Board, transitioned to Chairman Emeritus. In his new role, Mr. Boswell will continue to advise the Company on its strategic plans and work towards their successful implementation. Andy Fisher, formerly Manager Mexico, is the Company's new Chief Operating Officer (COO)
- On October 17, 2016, the Company's common shares commenced trading on the OTCQB Venture Marketplace under the symbol "IFRTF" effective at the market open on October 17, 2016.
- On November 17, 2016 Andy Fisher Chief Operating Officer for IFR was appointed to the Company's Board of Directors. Additionally, Director Tony Kinnon was appointed Chairman of the Board of Directors and Director Gary Lyons was appointed as Vice Chairman.

**Developments Since December 31, 2016**

- In January 2017, the Company announced the closing of an Account Performance Security Guarantee (APSG) facility of $882,050US with Export Development Canada ("EDC"). The APSG facility is provided as 50% of a performance bond issued by joint venture company Tonalli Energia.
- On January 19, 2017, the Company's jointly owned Mexican company Tonalli Energia registered and was granted access to the National Hydrocarbons Commission (CNH) data room for the third tender of Round Tow of Mexico's oil and gas energy reform. Concessions are to be awarded in July 2017 under a license contract model.
- On March 3, 2017, the Company closed it's a private placement to raise aggregate gross proceeds of CAD$5,059,085 effective March 3, 2017, which consisted of the sale of 18,068,160 common shares at a price of CAD$0.28 per common share. The brokered portion of the private placement led by PI Financial Corp. consisted of 8,094,445 shares for gross proceeds of CAD$2,266,445. PI Financial Corp. was paid a commission of 6% on the brokered portion of the Financing. Concurrently, the Company announced the closing of a non-brokered private placement that consisted of 9,973,715 shares for gross proceeds of CAD$2,792,640. The Company will pay finders fees in accordance with the policies of the TSX Venture Exchange in the amount of CAD$11,760.00 in respect of the non-brokered portion of the placement. All shares issued under the brokered placement and non-brokered placement are subject to restrictions on resale expiring July 4, 2017.

## DESCRIPTION OF THE BUSINESS

### Mexico

The Mexico government changed their constitution in December 2013 to allow foreign investment in the Mexican Oil & Gas sector. The implementation of this energy reform legislation provides an opportunity for oil companies looking to tap into Mexico's energy potential. International Frontier Resources, participated in In Mexico's first onshore licensing round with it's which secured the Tecolutla Block in Mexico's first onshore licensing round.

The Company was an early identifier of the Mexican oil and gas opportunity and has now achieved its initial goals which were as follows:

- Partner with an experienced local operator;
- Set up a 50/50 jointly owned Mexican company with its partner; and
- Participate in bidding and win an onshore license in Round One

Tonalli Energia, the Company's 50/50 joint venture deal with Grupo IDESA combines IFR's Canadian geoscience, engineering and finance team with IDESA's Mexican regulatory, engineering and logistics team.

### North West Montana

The company owns mineral titles covering 15,200 acres ("Fee Acreage") on the south end of the SAB located on the Blackfoot Reserve in Glacier County, Northwest Montana, the Fee Acreage, does not expire

**<u>Northwest Territories</u>**

The Company holds an interest in three Significant Discovery Licenses, one Exploration License and in three freehold parcels in the Sahtu area of the central Mackenzie Valley, NWT encompassing 174,610 net acres. The Company's acreage held under SDL's does not expire.

**Share Capital of IFR**

The authorized capital of IFR is an unlimited number of Common Shares without nominal or par value (defined in this Annual Information Form as "**Common Shares**") and an unlimited number of preferred shares without nominal or par value issuable in series of which 100,690,845 Common Shares and no preferred shares are outstanding as at December 31, 2016.

The following is a summary of the rights, privileges, restrictions and conditions which attach to the securities of IFR:

**Common Shares**

Holders of Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the Shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such).

Holders of Common Shares are entitled in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its Shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of the Corporation as are available for distribution.

## EXPLORATION AND DEVELOPMENT ACTIVITIES IN MEXICO

The Company plans to fulfill the following objectives with respect to it's operations in Mexico in 2017:

- Subject to regulatory approvals the Company plans to drill the first well in Tecolutla and conduct a workover of an existing well.
- Achieve positive cashflow from Tecolutla.
- Prequalify for Onshore Bid Round 2.3 in July 2017 where average block size is approximately 72 Sections (185 square Km).
- In Round 2.3 the TM-01 block offsets Tecolutla so IFR's 3D seismic knowledge and planned drills will give them an advantage in bid round.
- Analyze participating in future bid rounds if they are announced.

**Tecolutla Contract Mexico - Contract Summary for Policy 2.0 N3:**

The Tecolutla Block will be governed by the terms of a License Contract for the Extraction of Hydrocarbons to be entered in to by Tonalli Energia and the Comision Nacional de Hidrocarburos ("CNH") of Mexico on or before August 15th, 2016 ("License Contract")

The Licence Contract will have a term of 25 years with two possible extensions of 5 years each which could result in a contract term of 35 years. The License Contract allows the Contractor (i.e. Tonalli Energia) to explore for, produce and market hydrocarbons.

There are National Content rules contained in the License Contract. The National Content percentage starts at 22% then escalates to as high as 38%. The License Contract provides a methodology for calculating this percentage.

The first year of the License Contract is the Evaluation Period within which the Contractor must perform the Minimum Work Program. There is provision which allows an extension of the Evaluation Period for one additional year. A Performance Guarantee in the form of a letter of credit will be issued in favor of CNH for 50% of the assigned value of 4,600 Work Units which as of the date of Tonalli being awarded the Contract was an amount of US$1,800,000. The bank of Grupo IDESA has provided this Letter of Credit to CNH that will cover the Performance Guarantee. International Frontier will be responsible for 50% of the Performance Guarantee if Tonalli fails to perform the Minimum Work Program and CNH enforces the Letter of Credit.

Tonalli is able to fulfill the Minimum Work Program by performing any combination of tasks to earn 4,600 Work Units as described in the Bidding Guidelines and License Contract (subject to approval of the Evaluation Plan by CNH). The following table is an excerpt from the English translation of the form of License Contract which will apply to the Minimum Work Program for the Tecolutla Block.

| Minimum work requirement | Unit | Work Units (number) |
|---|---|---|
| Well | Per Well | 4,000 |
| Major work-over[2] | By repair | 800 |
| Minor work-over[3] | By repair | 400 |
| Nuclei studies | Per study | 25 |
| PVT Studies | Per study | 10 |
| Formation Studies | Per study | 10 |
| Updated static model | Per unit | 300 |
| Updated dynamic model | Per unit | 300 |
| Acquisition, reprocessing and interpretation of 3D seismic data. | Per km$^2$ | 20 |
| Interpretation of 3D seismic. | By Contract Area | 30 |

This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L03/2015, and is provided only for reference. In the event of any dispute or discrepancy, **the Spanish version shall prevail and be treated as the correct version** (for all intents and purposes).

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www.ronda1.gob.mx

FINAL VERSION

**ROUND 1 | TERRESTRIAL – THIRD INVITATION TO BIDDING**
**Bidding Guidelines CNH-R01-L03/2015**
**Nov 20th, 2015**

8.1 The Contractor may accumulate Work Units per perforated Well within the framework of the Contract.

8.2 Only studies, records and tests that correspond to the perforated Wells within the framework of this Contract will be accredited. The accreditation of such studies, records and tests shall be subject to the delivery of the related information to CNH.

8.3 Only the acquisition, processing and interpretation of seismic data limited to the Contract Area will be accredited. Similarly, the square kilometers (km$^2$) accredited may not exceed 100% of the surface area of the Contract Area.

8.4 To the effects of the Minimum Work Program, only one major and minor work-overs per well during the Appraisal Period will be valid.

Tonalli secured from a Mexican institution a US$1,764,100 performance bond toward the guarantee of performance of the minimum work programs. Upon completion of the minimum work program, the performance bond will be returned. In January of 2016 the Company entered into an Account Performance Security Guarantee (APSG) facility of $882,050US with Export Development Canada ("EDC"). The APSG facility ("Guarantee Facility") is provided as 50% of a performance bond issued by the Company's 50% owned joint venture company Tonalli Energia ("Tonalli").

At this time Tonalli intends to drill one well to earn 4,000 Work Units and conduct a work-over and a combination of other activities if required to earn up to 600 Work Units to satisfy the Minimum work requirement under the License Contract. The Company's 50% share of these activities has been budgeted as CAD $2.6M.

When production is achieved a Development, Plan is required to be submitted by the Contractor for approval by CNH. If portions of the Tecolutla Block are not intended to be developed, then portions of the block acreage may be subject to relinquishment or can be voluntarily surrendered.
Pursuant to the Hydrocarbons Revenues Law, the License Contracts shall provide for the following payments in favor of the nation:

1) Exploratory Phase Fees,
2) Royalties as specified in the Hydrocarbon Law,
3) An additional royalty payment that consists of a percentage of the contract value of hydrocarbons produced. ("Additional Royalty",)
4) A royalty to the surface landowners in accordance with the Hydrocarbon Law in an amount of 1- 3% of the contract value subject to negotiation after the signing of the Licence Contract.

These payments are in addition to any taxes owed by the contractor pursuant to the Mexican Income Tax Law or other tax laws.

**Exploratory Phase Fees:** The License Contracts shall establish a monthly payment during the exploratory phase. The exploratory phase monthly fees are as follows: (i) $1,150 Mexican pesos per square kilometer during the first 60 months of the contract term and (ii) $2,750 Mexican pesos starting from month 61of the contract term. These amounts shall be adjusted annually for inflation on the basis of the Mexican National Consumer Price Index. The Tecolutla Block is 7.2 square kilometers in size.

**Royalties:** The License Contract provides for royalties in favor of Mexico that vary depending on the type and market price of the particular hydrocarbon (crude oil, associated, non-associated natural gas or condensates) effectively produced. Royalties are payable in cash. Royalty payments shall be determined based on the "Contract Value" of produced hydrocarbons, which is calculated by multiplying the volume of production by its "contract price." The contract price for each type of hydrocarbon is its market price in US dollars, as adjusted pursuant to a mechanism to be established in the License Contract. The mechanism will take into account the hydrocarbon's quality, API gravity, marketing, and transportation and logistical costs, among other factors.

Crude oil royalties start at 7.5% when the contract price of crude oil is below US$48 per barrel and would increase as the contract price of crude oil increases. When the contract price of crude oil is equal to or greater than US$48 per barrel, the following formula would be applied: Rate= [(0.125xcrude oil contract price) +1.5] % Per this formula, when the contract price of crude oil is US$100, a14 percent royalty would be applicable. (The base price of US$48 is adjusted for inflation).

Condensates royalties start at 5% when the contract price of condensates is below US$60 per barrel. When the condensates contract price is equal or greater than US$60 per barrel, the following formula should be applied: Rate= [(0.125xcondensatescontractprice)– 2.5] %. Per this formula, when the contract price of condensates is US$100, a 10% royalty would be applicable. As an economic incentive for non-associated natural gas development, a zero percent royalty would apply when the contract price of non-associated natural gas is lower than or equal to US$5.00 per 1 million BTU. When the contract price of non-associated natural gas is higher thanUS$5.00 but lower than US$5.50 per1 million BTU, royalties are calculated using the following formula: Rate= [(Natural gas contract price –5) x 60.5] / Natural gas contract price. Again, the base prices for the calculations are adjusted for inflation.

When the contract price of non-associated natural gas is equal to or higher than US$5.50 per1million BTU, royalties are calculated using the following formula: Rate=Natural gas contract price/100 the above economic incentives are not applicable to associated natural gas. Royalties for associated natural gas shall be calculated using the following formula: Rate=Associated natural gas contract price/ 100.

**Payment of a Percentage of the Contract Value of Hydrocarbons (“Additional Royalty”):** this payment is in addition to the royalty payments referred to above. For the Tecolutla payment will be 31.22%of the contract value of hydrocarbons produced. This amount was bid by Tonalli for the Tecolutla Block in the bidding process.

As mentioned above, the “contract value” of produced hydrocarbons is calculated by multiplying the volume of production measured by its “contract price.” The contract price for each type of hydrocarbon refers to its market price in US dollars each month, adjusted pursuant to a mechanism that takes into account the hydrocarbon’s quality, API gravity, marketing, and transportation and logistical costs, among other factors. At Tecolutla based on an expected API of 28 and 0% sulfur the contract price of Crude oil will be the summation of 19.8 % of the average monthly price of Louisiana Light Sweet Crude and 81.4% of the average monthly price of Brent Crude. Once the restrictions on the marketing of hydrocarbons are lifted a different pricing structure will evolve of which the details are not known at this time.

## DISCLOSURE OF RESERVES

The statement of reserves data and other oil and gas information is set forth below (the "Statement"). The effect

**It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserves estimates of crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein. Readers should review the definitions and information contained in "Definitions and Notes to Reserves Data Tables" in conjunction with the following tables and notes. For more information, as to the risks involved, see "Risk Factors – Risk Relating to Our Business and Operations".**

Prices: McD. Jan 1, 2017
Eff. Date Dec 31. 2016
Currency: CAD
Table A

**International Frontier Resources Corporation**
**Total Company Reserves and Net Present Value**
**Forecast Prices and Costs as of December 31, 2016**
**Total Company**

| | PDP | PNP | PUD | TP | PADP | PANP | PAUD | TPA | PPDP | PPNP | PPUD | TPP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Light and Medium Oil (Mbbl)** | | | | | | | | | | | | |
| Working Interest Volume | 49.0 | - | - | 49.0 | 20.9 | - | - | 20.9 | 69.9 | - | - | 69.9 |
| Royalty Interest Volume | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Volume | 39.1 | - | - | 39.1 | 16.7 | - | - | 16.7 | 55.9 | - | - | 55.9 |
| **Total (MBOE) (1)** | | | | | | | | | | | | |
| Working Interest Volume | 49.0 | - | - | 49.0 | 20.9 | - | - | 20.9 | 69.9 | - | - | 69.9 |
| Royalty Interest Volume | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Volume | 39.1 | - | - | 39.1 | 16.7 | - | - | 16.7 | 55.9 | - | - | 55.9 |
| **Net Present Value Before Tax (M$)** | | | | | | | | | | | | |
| 0.00% | 12.30 | - | - | 12.30 | 243.90 | - | - | 243.90 | 256.20 | - | - | 256.20 |
| 5.00% | 116.70 | - | - | 116.70 | 223.60 | - | - | 223.60 | 340.40 | - | - | 340.40 |
| 10.00% | 168.30 | - | - | 168.30 | 193.40 | - | - | 193.40 | 361.60 | - | - | 361.60 |
| 15.00% | 191.80 | - | - | 191.80 | 163.90 | - | - | 163.90 | 355.70 | - | - | 355.70 |
| 20.00% | 200.30 | - | - | 200.30 | 138.60 | - | - | 138.60 | 338.90 | - | - | 338.90 |
| **$/BOE Before Tax (2)** | | | | | | | | | | | | |
| 0.00% | 0.25 | - | - | 0.25 | 11.65 | - | - | 11.65 | 3.67 | - | - | 3.67 |
| 5.00% | 2.38 | - | - | 2.38 | 10.69 | - | - | 10.69 | 4.87 | - | - | 4.87 |
| 10.00% | 3.44 | - | - | 3.44 | 9.24 | - | - | 9.24 | 5.17 | - | - | 5.17 |
| 15.00% | 3.92 | - | - | 3.92 | 7.83 | - | - | 7.83 | 5.09 | - | - | 5.09 |
| 20.00% | 4.09 | - | - | 4.09 | 6.62 | - | - | 6.62 | 4.85 | - | - | 4.85 |
| **Net Present Value After Tax (M$)** | | | | | | | | | | | | |
| 0.00% | 12.30 | - | - | 12.30 | 243.90 | - | - | 243.90 | 256.20 | - | - | 256.20 |
| 5.00% | 116.70 | - | - | 116.70 | 223.60 | - | - | 223.60 | 340.40 | - | - | 340.40 |
| 10.00% | 168.30 | - | - | 168.30 | 193.40 | - | - | 193.40 | 361.60 | - | - | 361.60 |
| 15.00% | 191.80 | - | - | 191.80 | 163.90 | - | - | 163.90 | 355.70 | - | - | 355.70 |
| 20.00% | 200.30 | - | - | 200.30 | 138.60 | - | - | 138.60 | 338.90 | - | - | 338.90 |

(1) Barrels of Oil Equivalent based on 6:01 for Natura Gas 1:01 for Condensate and C5+ 1:01 for Ethane, 1:01 for Propane 1:01 for Butane. BOE's may be misleading particularly if used in isolation. A BOE conversion ration of 6:1 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalent at the wellhead

(2) NPV/BOE based on Company share BOE reserves

**International Frontier Resources**

**Forecast Prices and Costs as of December 31, 2016**

**Working Copy**

| | PDP | PNP | PUD | TP | PADP | PANP | PAUD | TPP |
|---|---|---|---|---|---|---|---|---|
| **Economic Entities** | | | | | | | | |
| **Light and Medium Oil (Mbbl)** | | | | | | | | |
| Opening Balance on 1/1/2016 | 54.8 | - | - | 54.8 | 82.3 | - | - | 82.3 |
| Technical Revisions | 4.7 | - | - | 4.7 | -1.9 | - | - | -1.9 |
| Total Changes | 4.7 | - | - | 4.7 | -1.9 | - | - | -1.9 |
| Balance after Changes | 59.5 | - | - | 59.5 | 80.5 | - | - | 80.5 |
| *Amount from 1/12016 to 1/1/2017* | 10.6 | - | - | 10.6 | 10.6 | - | - | 10.6 |
| *Remaining Amount as of 1/1/2017* | 49.0 | - | - | 49.0 | 69.9 | - | - | 69.9 |
| Total Amount | 59.6 | - | - | 59.6 | 80.5 | - | - | 80.5 |
| **Outstanding Balance** | - | - | - | - | - | - | - | - |
| **Total Liquids (Mbbl)** | | | | | | | | |
| Opening Balance on 1/1/2016 | - | - | - | - | - | - | - | - |
| Technical Revisions | - | - | - | - | - | - | - | - |
| Total Changes | - | - | - | - | - | - | - | - |
| Balance after Changes | - | - | - | - | - | - | - | - |
| *Amount from 1/12016 to 1/1/2017* | - | - | - | - | - | - | - | - |
| *Remaining Amount as of 1/1/2017* | - | - | - | - | - | - | - | - |
| Total Amount | - | - | - | - | - | - | - | - |
| **Outstanding Balance** | - | - | - | - | - | - | - | - |
| **Light and Medium Oil (Mbbl)** | | | | | | | | |
| Opening Balance on 1/1/2016 | 54.8 | - | - | 54.8 | 82.3 | - | - | 82.3 |
| Technical Revisions | 4.7 | - | - | 4.7 | -1.9 | - | - | -1.9 |
| Total Changes | 4.7 | - | - | 4.7 | -1.9 | - | - | -1.9 |
| Balance after Changes | 59.5 | - | - | 59.5 | 80.5 | - | - | 80.5 |
| *Amount from 1/12016 to 1/1/2017* | 10.6 | - | - | 10.6 | 10.6 | - | - | 10.6 |
| *Remaining Amount as of 1/1/2017* | 49.0 | - | - | 49.0 | 69.9 | - | - | 69.9 |
| Total Amount | 59.6 | - | - | 59.6 | 80.5 | - | - | 80.5 |
| **Outstanding Balance** | - | - | - | - | - | - | - | - |

## Summary of Price Forecasts

**JANUARY 1, 2017**

| Year | WTI Crude Oil $US /bbl | Brent Crude Oil $US /bbl | Edmonton Light Crude Oil $C /bbl | Alberta Bow River Hardisty Crude Oil $C /bbl | Western Canadian Select Crude Oil $C /bbl | Alberta Heavy Crude Oil $C /bbl | Saks Cromer Medium Crude Oil $C /bbl | Edmonton Cond. & Natural Gasolines $/bbl | Edmonton Propane $/bbl | Edmonton Butanes $/bbl | Inflation % | US/CAN Exch. Rate $US /$CAN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | -1 | -2 | -3 | -4 | -5 | -6 | | | | -7 | | |
| **Forecast** | | | | | | | | | | | | |
| 2017 | 55.00 | 56.00 | 69.80 | 54.40 | 53.70 | 46.50 | 62.80 | 72.80 | 23.30 | 43.50 | 0.0 | 0.750 |
| 2018 | 58.70 | 59.70 | 72.70 | 58.90 | 58.20 | 50.50 | 67.60 | 75.80 | 23.70 | 47.90 | 2.0 | 0.775 |
| 2019 | 62.40 | 63.40 | 75.50 | 62.70 | 61.90 | 54.00 | 70.20 | 78.60 | 26.20 | 49.80 | 2.0 | 0.800 |
| 2020 | 69.00 | 70.10 | 81.10 | 67.30 | 66.50 | 58.00 | 75.40 | 84.30 | 28.30 | 56.40 | 2.0 | 0.825 |
| 2021 | 75.80 | 76.90 | 86.60 | 71.90 | 71.00 | 61.90 | 80.50 | 89.80 | 30.30 | 63.40 | 2.0 | 0.850 |
| 2022 | 77.30 | 78.40 | 88.30 | 73.30 | 72.40 | 63.10 | 82.10 | 91.60 | 30.90 | 64.70 | 2.0 | 0.850 |
| 2023 | 78.80 | 79.90 | 90.00 | 74.70 | 73.80 | 64.40 | 83.70 | 93.40 | 31.50 | 65.90 | 2.0 | 0.850 |
| 2024 | 80.40 | 81.50 | 91.80 | 76.20 | 75.30 | 65.60 | 85.40 | 95.20 | 32.20 | 67.30 | 2.0 | 0.850 |
| 2025 | 82.00 | 83.20 | 93.70 | 77.80 | 76.80 | 67.00 | 87.10 | 97.20 | 32.90 | 68.60 | 2.0 | 0.850 |
| 2026 | 83.70 | 84.90 | 95.60 | 79.30 | 78.40 | 68.40 | 88.90 | 99.20 | 33.60 | 70.00 | 2.0 | 0.850 |
| 2027 | 85.30 | 86.50 | 97.40 | 80.80 | 79.90 | 69.60 | 90.60 | 101.10 | 34.20 | 71.40 | 2.0 | 0.850 |
| 2028 | 87.00 | 88.20 | 99.40 | 82.50 | 81.50 | 71.10 | 92.40 | 103.10 | 34.90 | 72.80 | 2.0 | 0.850 |
| 2029 | 88.80 | 90.10 | 101.40 | 84.20 | 83.10 | 72.50 | 94.30 | 105.20 | 35.60 | 74.30 | 2.0 | 0.850 |
| 2030 | 90.60 | 91.90 | 103.50 | 85.90 | 84.90 | 74.00 | 96.30 | 107.40 | 36.30 | 75.80 | 2.0 | 0.850 |
| 2031 | 92.40 | 93.70 | 105.50 | 87.60 | 86.50 | 75.40 | 98.10 | 109.50 | 37.10 | 77.30 | 2.0 | 0.850 |
| Thereafter | +2%/yr | +2%/yr | +2%/yr | +2%/yr | +2%/yr | +2%/yr | +2%/yr | +2%/yr | +2%/yr | +2%/yr | 2.0 | 0.850 |

(1) West Texas Intermediate at Cushing Oklahoma 40 degrees API/0.5% sulphur

(2) North Sea Brent Blend 37 degrees API/1.0% sulphur

(3) Edmonton Light Sweet 40 degrees API, 0.3% sulphur

(4) Bow River at Hardisty Alberta (Heavy stream)

(5) Western Canadian Select at Hardisty, Alberta

(6) Heavy crude oil 12 degrees API at Hardisty Alberta (after deduction of blending costs to reach pipeline quality)

(7) Midale Cromer crude oil 29 degrees API, 2.0% sulphur

G140101 - Effective January 1, 2017

## Definitions and Notes to Reserves Data Tables

In the tables set forth above and elsewhere in this Annual Information Form, the following definitions and other notes are applicable:

1. The forecast price and cost assumptions assumed the continuance of current laws and regulations.
2. All factual data supplied to McDaniel's & Associates was accepted as represented. No field inspection was conducted.

***Reserves Categories***

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions.

Reserves are classified according to the degree of certainty associated with the estimates.

a) **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

b) **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook. Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:

a) **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

> i) **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
>
> ii) **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

b) **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

**Properties with no Attributed Reserves**

The following table summarizes the gross and net acres of unproved properties at Dec. 31, 2015 in which IFR has an interest and includes the number of net acres for which IFR's rights to explore, develop or exploit will, absent further action, expire within one year (Dec. 31, 2016)

| | Gross Acres | Net Acres | Net Acres Expiring Within One Year |
|---|---|---|---|
| NWT Canada | 223,064 | 175,734 | Nil |
| USA | 15,200 | 15,200 | Nil |

**License Details**

**Central Mackenzie Valley, NWT Canada**

**Significant Discovery Licenses 140 ("SDL")**

**Summit Creek – 11,380 acres**

The Company holds an 8.2112% working interest in a 17-section block of land at Summit Creek, the acreage is held under a Significant Discovery License 140 ("SDL").

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 Canol shale is prospective in the Summit Creek B-44 SDL.

Partners in the Summit Creek SDL are Husky Oil (operator) 59.28%, Taqa North 32.50% and IFR 8.221%.

**Stewart Lake**

**Significant Discovery Licenses 138 & 139 - 16,987 acres**

**M-38 – 10,368 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.

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 (operator) 75% and IFR 25%.

Contingent Resource Estimates - NWT

In a report dated December 31, 2013 McDaniel & Associates Consultants Ltd. assigned contingent resources for IFR's net interest in the Stewart and Summit SDL's as follows.

| **SDL – Husky operated** | **Low Estimate** | **Best Estimate** | **High Estimate** |
|---|---|---|---|
| Summit SDL 140 | (27% recovery) | (42% recovery) | (61% recovery) |
| Gas (BCF) | .738 | 3.10 | 13.40 |
| Condensate (BBLS) | 116,000 | 499,000 | 2,220,000 |
| | | | |
| Stewart SDL 138 & 139 + M-38 | (30% recovery) | (46% recovery) | (70% recovery) |
| Gas (BCF) | .761 | 2.98 | 10.41 |
| | | | |
| Total Barrels Oil Equivalent Net | 365,000 | 1,510,000 | 6,188,000 |
| | | | |
| Total Barrels Oil Equivalent Gross | 4,380,000 | 18,210,000 | 74,256,000 |

**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 Little Bear sands. The Canol shale is also prospective in the L-71 well. There are no resources assigned to parcel M-37

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

**Unevaluated Acreage**

**NWT Exploration License 495 – 163,120 acres**

In October, EL-495 was awarded to IFR (100%), the effective date of the license is March 16, 2014 and the first term expires on March 16, 2019. The license was awarded for a work program bid of $1,200,000 under the terms of the license a $300,000 deposit was lodged. The Cretaceous and Devonian Canol shale are prospective on EL-495. There are no resources assigned to EL-495.

**NWT Freehold Parcel M39 – 11,584 acres**

Freehold parcel M-39 is located in the southwest quadrant of the Devonian shale basin. M-39 is held Husky Oil Operations (operator) 75%, IFR 25%. There are no resources assigned to parcel M-39. Subsequent to December 31, 2016 parcel M-39 was relinquished.

**Glacier County, NW Montana USA**

IFR owns mineral titles covering 15,200 net acres ("Fee Acreage") located on the Blackfeet Reserve ("Reserve") in Glacier County NW Montana. The majority of existing leases on the Company's Fee Acreage expired in 2016 and the acreage reverted back to Ithe Company. The fee acreage does not expire and the Company holds a 100% net revenue interest in the fee acreage.

There are no resources assigned to the Fee Acreage.

## OTHER INFORMATION RELATING TO OUR BUSINESS

### Directors and Officers

**Steve Hanson**
**President & Chief Executive Officer**

With over 20 years of finance and corporate development experience, Mr. Hanson has been President of Discovery Management Services Ltd. since 2002, a venture capital consulting firm assisting early-¬stage companies in the development of short and long-¬term financing strategies. Mr. Hanson served as Chairman and Managing Director of Van Arbor Asset Management, an award-winning equity money management firm from 2004 until 2008, which he founded in 2003. Van Arbor Asset Management was bought by ZLC Private Investment Management in 2008. In 2009, Mr. Hanson served as President and CEO of Pan Asian Petroleum, an Oil and Gas Company that during his tenure was acquired by Ivanhoe Energy. In 2011/2012 Mr. Hanson was a Director of Lion Petroleum Corp., a private Oil and Gas Company focused on East Africa bought by Taipan Resources. He has served on numerous private and public company boards.

**Andy Fisher**
**Chief Operating Officer & Independent Director**

Mr. Fisher has over twenty-five years of intensive and varied experience in the oil and gas industry including extensive experience in acquisition and divestments, corporate finance, strategic and operational planning, due diligence, supervision of day to day activities, office management, team leading, joint venture management, contracts and negotiations. He was Founder and Executive Vice President of Arcan Resources Ltd and grew Arcan from zero BOE / day with no assets to approximately 4,000 BOE / day with a large future drilling inventory. Arcan was sold to Aspenleaf Energy Ltd., backed by ARC Financial Corp, a Canadian energy-focused private equity manager, and Ontario Teachers' Pension Plan, in June 2015 in a transaction valued at approximately $300 Million (Cdn). Formerly Vice President International Contracts and Negotiation of Pacalta Resources Ltd, Mr. Fisher was the third employee of Pacalta and experienced growth of Pacalta from a junior E&P Company with approximately 100 BOE / day of production to a company with approximately 45,000 BOE / day of production in Ecuador and hundreds of employees. Pacalta was sold to Alberta Energy Company (predecessor to EnCana) in 1999 in a transaction valued at approximately $1 Billion (Cdn).

**Margaret Souleles**
**Chief Financial Officer**

Margaret has provided financial consulting services to the Company from November 2004 to October 2009 when she was appointed as Chief Financial Officer. Prior to joining the Company Margaret spent eight years in the audit department of Grant Thornton LLP. Margaret is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of Calgary.

**Tony Kinnon**
**Chairman & Vice President of Business Development**

Tony has 20 years of experience in the financial services industry focusing on valuation, structuring and raising capital for energy companies. Based in Calgary, Alberta his professional roles include Managing Director, Energy Banking at PI Financial, and Director of Public Venture Capital at both Macquarie Private Wealth and Richardson Partners.

**Pat Boswell**
**Chairman Emeritus**

Founded International Frontier in 1995 prior thereto Pat was the Executive Vice-President of Hardy Oil & Gas Canada Limited, a wholly owned subsidiary of Hardy Oil & Gas PLC, a Company listed on the London Stock Exchange. Pat has over 38 years' experience in the international oil & gas industry.

**Dr. Gary Lyons**
**Vice Chairman & Independent Director**

Dr. Lyons holds a MD degree from the University of Pittsburgh and a PhD from the University of Minnesota. Gary was a founder and Director of Nugget Oil Corporation which was founded in Minneapolis in 1970 and moved its headquarters to Corpus Christi in 1980. He has been involved in the oil & gas industry for over 36 years. Gary was appointed to the Board in June 2006.

**Ignacio Quesada**
**Independent Director**

Mr. Quesada is a Managing Director with Alvarez & Marsal in Mexico City. He brings 20 years of experience in strategy, operations improvement and financial solutions. His primary areas of concentration are the energy and financial sectors, strategy development, supply chain management, and financial evaluation. Mr. Quesada has worked with clients across a range of industries, including oil and gas, financial services, private equity and government institutions.

Prior to joining A&M, Mr. Quesada was CFO of PEMEX where he contributed to the development of new business collaboration schemes including the performance contracts and JVs between PEMEX and private sector companies. Before PEMEX, he worked as Chief of Staff to the Minister at the Treasury and at the Social Development Ministers. During that time, he participated in the Anti-Money Laundering Initiative, United Nations high-level task force for financial instruments for climate change, the task force for the AH1N1 crisis, and the development of new payment schemes for the social programs.

**Colin Mills**
**Independent Director**

Mr. Mills beings over 30 years of experience in strategic and tactical operations with an extensive and diverse background in power generation. He has established and led high-performance teams to achieve significant business goals in Mexico, Canada and Australia.

Mr. Mills' background includes a number of executive roles with TransAlta Corporation, one of Canada's largest publicly traded power generators and marketers of electricity and renewable energy. During his tenure, he held key positions including Director General and Chairperson or the Board of TransAlta Mexico.

With TransAlta Mexico, Mr. Mills' responsibilities included business development, equipment commissioning and operations of the corporation's Chihuahua 260 MW and TransAlta Campeche 250 MW combined cycle power stations. Both facilities achieved ISO9001 certification and were awarded "Clean Industry Status" by the Mexican Federal Environmental Authority.

He also led negotiations with the Mexican National Power Company (CFE) for the strategic divestiture of TransAlta's Mexican assets to InterGen.

Mr. Mills and his team established community programs on behalf of TransAlta, the United Way at Emiliano Zapata, Tabasco (Mexico) and the Mexican Federal Department of Integration of Families in Samalayuca, Chihuahua.

Mr. Mills also held positions on the Mexico Energy Association Board and the Canadian Chamber of Commerce in Mexico.

Most recently, Mr. Mills worked for Synergy Corporation as Manager, Thermal Generation in Western Australia, overseeing a workforce of more than 350 employees.

## Audit Committee Information

The full text of the audit committee's charter is included in APPENDIX A of this annual information form.

**Composition of the Audit Committee**

The audit committee consists of three members, all of whom are independent and financially literate. The relevant education and experience of each audit committee member is outlined below:

The Company's audit committee has adopted a policy with respect to the pre-approval of audit and permitted non-audit services to be provided by its independent auditor (the "Policy"). Pursuant to the Policy, the audit committee has identified certain services that have been granted pre-approval and which the independent auditors may provide. The Policy also establishes procedures by which permitted audit and permitted non-audit services proposed to be performed by the Company's independent auditors may be pre-approved. The audit committee has delegated authority to the Chairman of the audit committee to pre-approve permitted audit and permitted non-audit services to be provided by the independent auditor that have not otherwise been pre-approved by the full audit committee, including the fees and terms of the proposed Paramount Resources Ltd. 2015 Annual Information Form 40 services (the "Delegated Authority"). All pre-approvals granted pursuant to the Delegated Authority must be presented by the Chairman of the audit committee to the full audit committee at its next meeting. All fees payable in connection with services provided by the independent auditor must be pre-approved by either the full audit committee or the Chairman of the audit committee pursuant to his Delegated Authority.

## PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services and pre-approves each such engagement or type of engagement for every fiscal year.

Our external auditor is Crowe Mackay LLP. The following is a summary of the external audit and non-audit services fees by category.

| Summary of External Audit and Non-Audit Service Fees | 2016 ($) | 2015 ($) |
|---|---|---|
| Audit Fees (1) | 53,550 | 52,500 |
| Audit Related Fees | - | - |
| All Other Fees | - | - |

1) The aggregate fees billed by our external auditor for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements but which are not included in audit services fees.

## CONFLICTS OF INTEREST

The Board of Directors has adopted a Code of Business Conduct and Ethics. In general, the private investment activities of employees, directors and officers are not prohibited, however, should an existing investment pose a potential conflict of interest, the potential conflict is required by the Codes to be disclosed to the Chief Executive Officer or the Board of Directors. Any other activities of employees which pose a potential conflict of interest are also required by the Codes to be disclosed to the Chief Executive Officer or the Board of Directors. Any such potential conflicts of interests will be dealt with openly with full disclosure of the nature and extent of the potential conflicts of interests with the Corporation.

It is acknowledged in the Codes that employees, officers and directors may be directors or officers of other entities engaged in the oil and gas business, and that such entities may compete directly or indirectly with the Corporation. No assurance can be given that opportunities identified by directors of IFR will be provided to us. Passive investments in public or private entities of less than one per cent of the outstanding shares will not be viewed as "competing" with the Corporation. Any director, officer or employee of IFR which is a director or officer of any entity engaged in the oil and gas business shall disclose such occurrence to the Board of Directors. Any director, officer or employee of IFR who is actively engaged in the management of, or who owns an investment of one per cent or more of the outstanding shares, in public or private entities shall disclose such holding to the Board of Directors. In the event that any circumstance should arise as a result of such positions or investments being held or otherwise which in the opinion of the Board of Directors constitutes a conflict of interest which reasonably affects such person's ability to act with a view to the best interests of the Corporation, the Board of Directors will take such actions as are reasonably required to resolve such matters with a view to the best interests of the Corporation. Such actions, without limitation, may include excluding such directors, officers or employees from certain information or activities of the Corporation.

The *Business Corporations Act* (Alberta) provides that in the event that an officer or director is a party to, or is a director or an officer of or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such officer or director shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There is no material interest, direct or indirect, of any director or senior officer, or to our knowledge any person or company that is the direct or beneficial owner, or who exercises control or direction over more than 10 per cent of outstanding Common Shares most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to affect the Corporation.
Margaret do you think we need to disclose anything on Kevin, Kyle or Curtis?

## MARKET FOR SECURITIES

The Common Shares commenced trading on the TSX Venture on September 29, 1999The trading symbol for the Common Shares is IFR.V.

The following table sets forth the high and low closing prices and the aggregate volume of trading in 2015 of the Common Shares on the TSX for the periods indicated (as quoted by Bloomberg):

| TSX Venture | High | Low | Volume |
|---|---|---|---|
| January | $ 0.12 | $ 0.07 | 38,500 |
| February | $ 0.08 | $ 0.07 | 16,300 |
| March | $ 0.10 | $ 0.07 | 17,600 |
| April | $ 0.10 | $ 0.07 | 35,700 |
| May | $ 0.15 | $ 0.08 | 70,700 |
| June | $ 0.17 | $ 0.13 | 58,000 |
| July | $ 0.23 | $ 0.16 | 75,300 |
| August | $ 0.24 | $ 0.16 | 64,400 |
| September | $ 0.29 | $ 0.19 | 107,100 |
| October | $ 0.25 | $ 0.20 | 54,900 |
| November | $ 0.25 | $ 0.20 | 70,700 |
| December | $ 0.28 | $ 0.23 | 65,300 |

On October17, 2016 the Company's common shares commenced trading on the OTCQB Venture Marketplace under the symbol "IFRTF".

## INDUSTRY CONDITIONS – MEXICO

Mexico is the ninth largest producer of oil in the world and the eleventh largest in terms of net exports. Mexico 's main upstream attraction is a potentially vast resource base. Pemex estimates that yet to be discovered oil & gas reserves could total as much as 115 billion barrels of oil equivalent, roughly three times as much as current proven, probable and possible reserves (3P). According to some preliminary estimates, investment needs will range between US$35 billion and US$100 billion over the next decade.

Mexico's historic energy reform announced in 2014 has established a new legal framework for Mexico's energy industry and is expected to attract the billions of dollars in foreign investment needed to revitalize Mexico's oil and gas industry. The Secretaria de Energia (SENER) has issued a five -year, four round tender plan (2015-2019) for the denationalization of 914 oil and gas blocks. IFR believes that there are a significant number of under exploited oil & gas fields in Mexico that will be issued in these bidding rounds.

## RISK FACTORS

**Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and natural gas business generally.**

Residents of the United States and other non-residents of Canada should have additional regard to the risk factors under the heading "Risk Factors Applicable to Residents of the United States and Other Non-Residents of Canada".

### Risks Relating to Our Business and Operations

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

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

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

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

***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 the Company's assets in the Northwest Territories will be commercially viable to produce any portion of the contingent resources identified in the December 31, 2013 McDaniel & Associates report on the Company's assets in the Northwest Territories.

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived thereof, including many factors that are beyond the control of International Frontier. The reserve and cash flow information set forth herein represent estimates only. The reserves and estimated future net cash flow from the assets of International Frontier have been independently evaluated effective December 31, 2015 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 contingent resource report on the Company's Northwest Territories properties dated December 31, 2013.

***Volatility of Oil and Natural Gas Prices***

The operational results and financial condition of International Frontier will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the operations, proved reserves, and financial conditions of International Frontier and could result in a reduction of the net production revenue of the 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.

### *Global economic events may negatively impact our financial condition*

Market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels, may cause significant volatility to commodity prices and a decline in funds from operations. Global economic events and conditions may cause a loss of confidence in the broader global credit and financial markets and create a climate of greater volatility, less liquidity, wider credit spreads, a lack of price transparency and increased credit losses. Market events in the future may affect our ability to obtain equity or debt financing on acceptable terms and may make it more difficult to operate effectively.

### *Forward-Looking Information may not reflect actual outcomes*

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading **"Reader Advisory Regarding Forward-Looking Statements"** of this Annual Information Form.

### *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.

**TRANSFER AGENT AND REGISTRAR**

The Company's transfer agent and registrar is Computershare Trust Company of Canada located at 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

**INTEREST OF EXPERTS**

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by us during, or related to, our most recently completed financial year other than McDaniel's and Associates, our independent engineering evaluator, and Crowe Mackay LLP, the auditors of IFR and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of IFR or of any of our associate or affiliate entities.

## Appendix A - Audit Committee Charter

### PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of the Company is to provide an open avenue of communication between management, the Company's independent auditor and the Board and to assist the Board in its oversight of:

- the integrity, adequacy and timeliness of the company's financial reporting and disclosure practices;
- the Company's compliance with legal and regulatory requirements related to financial reporting; and
- the independence and performance of the Company's independent auditor.

The Committee shall also perform any other activities consistent with this Charter, the Company's articles and governing laws as the Committee or Board deems necessary or appropriate.

The committee shall consist of at least three directors. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. The members of the Committee shall elect a Chairman from among their number. A majority of the members of the Committee must not be officers or employees of the Company or of an affiliate of the Company. The quorum for a meeting of the Committee 'is a majority of the members who are not officers or employees of the Company or of an affiliate of the Company. With the exception of the foregoing quorum requirement, the Committee may determine its own procedures.

The Committee's role is one oversight. Management is responsible for preparing the Company's financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with generally accepted accounting principles ("GAAP"). Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations.

The independent auditor's responsibility is to audit the Company's financial statements and provide its opinion, based on its audit conducted in accordance with generally accepted auditing standards, that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with GAAP.

The Committee is responsible for recommending to the Board the independent auditor to be nominated for the purpose of auditing the company's financial statements, preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, and for reviewing and recommending the compensation of the independent auditor. The Committee is also directly responsible for the evaluation of and oversight of the work of the independent auditor. The independent auditor shall report directly to the Committee.

### AUTHORITY AND RESPONSIBILITIES

In addition to the foregoing, in performing its oversight responsibilities the Committee shall

1. Monitor the adequacy of this Charter and recommend any proposed changes to the Board

2. Review the appointments of the Company's Chief Financial Officer and any other key financial executives involved in the financial reporting process.

3. Review with management and the independent auditor the adequacy and effectiveness of the Company's accounting and financial controls and the adequacy and timeliness of its financial reporting processes.

4. Review with management and the independent auditor the annual financial statements and related documents and review with management the unaudited quarterly financial statements and related documents prior to filing and distribution including matters required to be reviewed under applicable legal or regulatory requirements.

5. Where appropriate and prior to release, review with management any news releases that disclose annual or interim financial results or contain other significant financial information that has not previously been release to the public.

6. Review the Company's financial reporting and accounting standards and principles and significant changes in such standards or principals or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.

7. Review the quality and appropriateness of the accounting policies and the clarity of financial information and disclosure practices adopted by the Company, including consideration of the independent auditor's judgment about the quality and appropriateness of the Company's accounting policies. This review may include discussions with the independent auditor without the presence of management

8. Review with management and the independent auditor significant related party transactions and potential conflicts of interest.

9. Pre-approve all non-audit services to be provided to the Company by the independent auditor.

10. Monitor the independence of the independent auditor by reviewing all relationships between the independent auditor and the Company and all non-audit work performed for the Company by the independent auditor.

11. Establish and review the Company's procedures for the:

- receipt, retention and treatment of complaints regarding accounting, financial disclosure, internal controls or auditing matters; and
- confidential, anonymous submission by employees regarding questionable accounting, auditing and financial reporting and disclosure matters.

12. Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities. The Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Company.

13. Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting company in Parts 2 and 4 of National Instrument 52110 of the Canadian Securities Administrators, the *Business Corporations Act* (British Columbia) and the articles of the Company.