



International Frontier Resources Corporation
Management Discussion and Analysis
For the three and nine months ended
September 30, 2025

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

The following is management’s discussion and analysis (“MD&A”) of IFR’s operating and financial results for the period ended September 30, 2025, as well as information concerning the Corporation’s future outlook based on currently available information. The MD&A has been prepared by management as at November 26, 2025 in accordance with International Financial Reporting Standards, in Canadian dollars and should be read in conjunction with the interim unaudited condensed consolidated financial statements as at September 30, 2025 (the “Financial Statements”) together with the accompanying notes. This MD&A contains forward-looking statements. See “*Forward Looking Statements*”.

The Financial Statements include the accounts of the Company and its 99.80% owned Mexican subsidiary, Petro Frontera S.A.P.I de CV (“Frontera”), which is accounted for using the consolidation method. All inter-company transactions and balances are eliminated upon consolidation. The consolidated financial statements also include Frontera’s 42.63% investments in Tonalli Energia S.A.P.I. de CV (“Tonalli”), a Mexican company which is accounted for using the equity method and its 99.80% interest in Energia Mex Can (“Mexcan”), a Mexican company which is accounted for using the consolidation method.

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

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

Management believes that the going concern assumption is appropriate for the Financial Statements and that the Company will meet its operating and capital requirements. The Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

Summary of Third Quarter Results

Selected financial information:

Three months ended:	September 30, 2025 (\$)	June 30, 2025 (\$)	September 30, 2024 (\$)
Statements of operations			
General and administrative expenses	26,350	53,425	45,020
Net income (loss) and comprehensive income (loss)	(315,065)	(412,145)	(383,085)
Income (loss) per share	(0.01)	(0.01)	(0.01)
Cash flow			
Net cash provided (used in)			
Operating activities	(30,785)	(46,585)	(48,560)
Investing activities	(22,900)	-	-
Financing activities	(9,455)	(9,195)	(7,640)
Statements of financial position			
	September 30, 2025 (\$)	December 31, 2024 (\$)	
Total assets	152,645	373,755	
Working capital	(2,309,980)	(1,522,070)	

Discussion of Operations

General and administrative expenses

Three months ended:	September 30, 2025 (\$)	June 30, 2025 (\$)	September 30, 2024 (\$)
Consulting fees and salaries	-	400	7,950
Corporate travel	-	-	3,530
Filing and transfer fees	1,655	4,200	11,040
Professional fees	4,665	10,575	12,735
Rent and corporate costs	20,030	38,250	9,765
	26,350	53,425	45,020

- Total general and administration expenses in the three months ended September 30, 2025 were \$26,350 a 50% decrease as compared to the previous quarter.
- In Q2, 2025 General and administration costs included costs of approximately \$15,000 related to costs to prepare the company's independent reserve reports.

Net loss

- For the three months ended September 30, 2025 the Company recorded a net loss of \$315,065 (\$0.01 loss per share) as compared to a net loss of \$412,145 (\$0.01 loss per share) for Q2, 2025 (Net loss for Q3, 2024 - \$383,085 or \$0.01 loss per share)

Investing activities

Long term debt

In 2020, the Company applied for and received a \$60,000 term loan under the Canada Emergency Business Account (the “CEBA term loan”), which was one of the Canadian government’s COVID-19 economic recovery measures. The CEBA term loan is non-interest bearing for the initial term ending on December 31, 2022 (the “Initial Term”). If the loan was paid off by December 31, 2022, 33% of the loan would have been forgiven. In October 2023, the initial term for repayment of the CEBA loan was extended to January 18, 2024. If the CEBA term loan is not fully repaid by the end of the Initial Term, then the unpaid balance will bear interest at the rate of 5% per annum, payable monthly, and will mature on December 31, 2026. The Company did not pay the loan on the deadline for the Initial Term on January 18, 2024 and has paid interest of \$755 for the period ended September 30, 2025 (Q2, 2025- \$755, Q3, 2024 - \$755).

To estimate the fair value, the debt component was estimated first at \$60,000, considering the interest free aspect of the loan. A 17% effective rate was used which corresponds to a rate that the Company would have obtained for a similar investment. In the three month period ended September 30, 2025, the Company recorded accretion expense with respect to the residual value of \$550 (Q2, 2025- \$550, Q3, 2024 - \$550).

Investment in Tonalli

At September 30, 2025, the Company, through its Mexcan subsidiary Frontera holds a 42.63% (December 31, 2024 – 42.63%) investment in Tonalli Energia S.A.P.I. de C.V. (“Tonalli”), a Mexican company which is accounted for using the equity method and a 99.80% interest in Energia Mex Can (“Mexcan”), a Mexican company which is accounted for using the consolidation method.

At the beginning of the period, the carrying amount of the Company’s investment in Tonalli was nil and cumulative unrecognized equity-accounted losses totaled \$4,031,165 (December 31, 2024 – \$3,595,010). Accordingly, the \$22,900 of equity contributions made during the period have been applied to recognize a portion of the Company’s share of Tonalli’s net losses and are included in the loss on equity investment recognized above, rather than increasing the investment balance.

In evaluating the Company’s investment in Tonalli at September 30, 2025, the Company took into consideration the potential for a future sale of the Company’s interest in Tonalli. The Company concluded that there were no indications at September 30, 2025 that it would trigger a reversal of the impairment in the Company’s investment in Tonalli.

At September 30, 2025 Frontera has amounts owing to Tonalli for its share of cash calls issued in 2024 and 2025 in the amount of \$2,222,050 CAD equivalent (the “Default Amount”) which includes interest accrued and payable at September 30, 2025 of \$200,540. As per the terms of the Tonalli Joint Operating Agreement the Default Amount bears interest at 10% plus SOFR and Frontera has 180 days from the date of issuance of the Notice of Default to make the necessary contributions or its equity interest in Tonalli will be adjusted accordingly. At September 30, 2025, amounts funded by Jaguar on Frontera’s behalf for Frontera’s share of Tonalli cash calls, including related interest, had not been converted to equity under the JOA and remained payable. Frontera’s outstanding contributions and accrued interest were less than the Company’s cumulative unrecognized losses and have been recorded as part of the loss on equity investment in Tonalli.

Tonalli Operations

Tecolutla Contract

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

- **Effective Date:** August 2016
- **Term:** 25 years plus two possible extensions of five years each
- **National Content Rule:** 22% escalating to 38%
- **Royalties:**
 - Base Oil Royalties (7.5% @ \$48 US linear to 14% @ 100\$ US Brent)

- Additional Bid Royalty of 31.22% of the contract value of hydrocarbons produced
- A royalty to the surface landowner in an amount of 1% of the contract value subject to negotiation after the signing of the Licence (being directed by the Mexican energy regulator, the National Hydrocarbons Commission (“CNH”))

The Tecolutla Block is a 7.2 km² block in the Tampico-Misantla Basin located within the state of Veracruz. The producing carbonate oil reservoir in the Tecolutla Block is the El Abra formation at a depth of 2,340 meters. 3D seismic has been acquired over the entire Tecolutla Block and 7 wells were drilled into the Tecolutla Block. Peak production of over 900 bbl/d occurred from the Tecolutla Block in 1972 from 4 wells, with 1 producing well remaining as of December 2014.

Evaluation Plan

- On July 25, 2025 Tonalli submitted its Development Plan
- On July 4, 2023, CNH approved an extension to Tonalli’s Transition Plan until July 6, 2025
- On July 5, 2022 CNH approved Tonalli’s Transition Plan for the Tecolutla Block.
- On February 6, 2022 the Company elected to desist its Transition Plan application and a revised application was submitted on May 6th, 2022.
- On November 20, 2021 Tonalli submitted its Transition Plan to the CNH for approval
- In August 2021, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until November 24, 2021.
- On November 26, 2020, CNH granted an exclusive 9 month extension to all operators participating in Round 1.3. As a result, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until August 27, 2021.
- In August 2020, CNH granted a 4 month extension to all operators due to COVID-19. As a result, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until November 27, 2020.
- In July 2019, Tonalli received an extension of its Evaluation Plan with respect to the Tecolutla Block until July 6, 2020. There were no additional work commitments with respect to the Tecolutla Contract.
- In June 2019, Tonalli completed the full requirements for the drilling of the TEC-11 well in order to satisfy the minimum work requirement as required by the extension of the evaluation plan. On June 6, 2019, Tonalli received full accreditation for its remaining 4,800 work units.
- In December 2018, Tonalli completed drilling of the TEC-11 well and satisfied the requirements to earn the work units under the modification of its evaluation plan.
- In November 2018, Tonalli received accreditation for 4,000 work units with respect to the TEC-10 drill and in June 2019 Tonalli received accreditation of its remaining 600 work units. The performance bond was returned in January 2019 upon fulfilment and approval of the required work program.
- On July 6, 2018, Tonalli received approval from the CNH to extend its Tecolutla evaluation plan and final approval for the modification of the work program was received on October 18, 2018 which resulted in a commitment of an additional 4,000 work units.
- On September 23, 2017, the Mexican energy regulator, the CNH, approved Tonalli’s evaluation plan for the Tecolutla Block. The evaluation plan outlines in detail the scheduled work program to meet 4,600 work units on the Tecolutla Block.

Operations

- There were no operations in the Tecolutla Block for the three and nine month periods ended September 30, 2025.
- Field maintenance costs were \$126,594 in the three months ended September 30, 2025 compared to \$82,395 in Q2, 2025. (Q3, 2024 - \$84,845)

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	September 30, 2025	November 26, 2025
Common shares outstanding	38,085,397	38,085,397
Options outstanding	3,700,000	3,700,000
Warrants outstanding	9,798,000	9,798,000
Fully diluted	51,583,397	51,583,397

Additional details on the shares and stock options outstanding at September 30, 2025 are available in the notes to the September 30, 2025 Financial Statements.

Summary of Quarterly Results

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

Quarter ended:	December 31 2023	March 31 2024	June 30, 2024	September 30, 2024
Statements of operations				
Net loss and comprehensive loss	\$ 693,390	\$ (248,900)	\$ (813,750)	\$ (383,085)
Net loss per share				
Basic and diluted	\$ 0.05	\$ (0.02)	\$ (0.03)	\$ (0.01)
Statements of financial position				
Total assets	\$ 97,660	\$ 78,245	\$ 453,625	\$ 382,090
Working capital (deficit)	\$ (594,945)	\$ (843,195)	\$ (795,995)	\$ (1,036,815)
Funds flow from (used in) operations ¹	\$ (62,170)	\$ (995)	\$ (216,195)	\$ (48,560)
Quarter ended:				
	December 31 2024	March 31, 2025	June 30, 2025	September 30, 2025
Statements of operations				
Net income (loss) and comprehensive income (loss)	\$ (641,095)	\$ (62,350)	\$ (412,145)	\$ (789,560)
Net loss per share				
Basic and diluted	\$ (0.02)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Statements of financial position				
Total assets	\$ 373,755	\$ 296,385	\$ 228,165	\$ 152,645
Working capital (deficit)	\$ (1,522,070)	\$ (1,583,870)	\$ (1,995,465)	\$ (2,309,980)
Funds flow from (used in) operations ¹	\$ (66,150)	\$ (57,815)	\$ (46,585)	\$ (46,585)

⁽¹⁾ See Non-GAAP measures

Non-GAAP measures

Funds flow from (used in) operations

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

assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges that are nonrecurring. Funds from (used in) operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures for other entities.

Operating Netback

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

Liquidity, capital resources and financing activities

Working Capital

At September 30, 2025, the Company has cash and cash equivalents of \$106,845 (December 31, 2024 - \$292,620) and a working capital deficit of \$2,309,980 (December 31, 2024 – \$1,522,070).

Planned Capital Program

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

Future Capital Requirements

The Company has no significant internally generated cash flows and continues to rely primarily on external financing to fund corporate costs and its share of Tonalli expenditures. In order to accelerate the Company's current exploration programs, the Company may require additional capital. The timing, pace, scope and amount of the Company's capital expenditures is largely dependent on the operator's capital expenditure program(s) and the availability of capital to the Company.

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

In the management of capital, the Company includes cash and cash equivalents, accounts receivable, deposits and shareholder loans less accounts payable and accrued liabilities in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company is reasonable. As at September 30, 2025, the Company's capital as defined above was approximately \$(2,313,860) (December 31, 2024 – \$(1,562,775)).

The Company had a net loss of \$789,560 and cash flows used in operations of \$135,185 for the nine-month period ended September 30, 2025 and a working capital deficit of \$2,309,980 as at September 30, 2025. The Company's working capital deficit at September 30, 2025 includes amounts owing to Tonalli with respect to Frontera's share of cash calls plus accrued interest owing to Tonalli at September 30, 2025 of \$2,222,050. Per the terms of the Tonalli JOA, all amounts owing by Frontera can be converted to shares to the benefit of Operator per Operator's discretion after a period of time as specified in the JOA (see "Investment in Tonalli") which would result in a decrease in Frontera's equity interest in Tonalli. The resulting normalized working capital deficit at September 30, 2025 not including the amounts owing to Tonalli and assuming they had been converted to equity is \$87,930. The Company's only revenue generating activities are related to its investment in Tonalli which has been incurring losses and using cash in its operating activities since inception.

Related Party Transactions

At September 30, 2025, \$137,585 (December 31, 2024– \$140,385) was included in accounts payable and accrued liabilities owing to consultants of the Company.

Corporate Activities

On July 31, 2024 the Company granted, pursuant to its Incentive Stock Option Plan, 2,250,000 stock options to purchase common shares to directors, officers and consultants of IFR, with an exercise price of \$0.05 per share and an expiry date of July 31, 2029. All of the options granted vest immediately.

On July 4, 2024, the Company settled outstanding indebtedness with certain officers and consultants of the Company (the “Shares for Debt Settlement”) through the issuance of common shares of the Company. Pursuant to the Shares for Debt Settlement, the Company issued a total of 2,300,000 common shares at a deemed price of \$0.05 per share in satisfaction of outstanding amounts of \$115,000. The common shares issued pursuant to the Shares for Debt Settlement will be subject to a hold period that expires on November 5, 2025. A discount of 11.39% (\$13,098) was applied due to the four-month hold period, resulting in a net equity contribution of \$128,098.

On April 25, 2024, the Company closed a brokered private placement for gross proceeds of \$816,500, (net \$668,061) which consisted of the issuance of 16,330,000 units of the Company (the “Units”) at a price of \$0.05 per Unit (the “Offering”). Each Unit consists of one common share in the capital of the Company (a “Common Share”) and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each whole Warrant will entitle the holder thereof to purchase one additional Common Share (a “Warrant Share”) for a period of 5 years following the closing of the Offering at an exercise price of \$0.10 per Warrant Share.

On April 15, 2024 the Company granted, pursuant to its Incentive Stock Option Plan, 1,600,000 stock options to purchase common shares to directors, officers and consultants of IFR, with an exercise price of \$0.06 per share and an expiry date of April 15, 2029. All of the options granted vest immediately. As the shares were subject to a four-month hold period, a discount of 13.41% (\$30,172) was applied, resulting in a net equity contribution of \$255,172.

On April 8, 2024, the Company settled outstanding indebtedness with certain officers and consultants of the Company (the “Shares for Debt Settlement”) through the issuance of common shares of the Company. Pursuant to the Shares for Debt Settlement, the Company issued a total of 4,500,000 common shares at a deemed price of \$0.05 per share in satisfaction of outstanding amounts of \$225,000. The common shares issued pursuant to the Shares for Debt Settlement will be subject to a hold period that expires on August 9, 2024.

On November 27, 2023 the Company consolidated its common shares on the basis of one (1) new post-consolidation common share for every twenty (20) existing pre-consolidation common share (the “Consolidation”). The Consolidation reduces the number of outstanding common shares from 299,107,939 to approximately 14,955,397. Proportionate adjustments have been made to the Company’s outstanding stock options, restricted share units, and deferred share units

On October 31, 2023 the common shares of IFR resumed trading on the TSX Venture Exchange (the “TSXV”).

As at the date of expiry on August 31, 2023 Jaguar had not exercised either option per the Letter of Intent. As a result, the total Deposit received in the amount of \$472,780 CAD equivalent is no longer refundable to Jaguar and has been recorded as a Gain on Letter of Intent on the Company’s consolidated statements of income (loss) and comprehensive income (loss).

On July 28, 2023 IFR and Jaguar entered into an agreement to extend the Letter of Intent previously announced on May 9, 2023. (the “Amended Letter of Intent”). In accordance with the Amended Letter of Intent Jaguar will have until August 31, 2023 to exercise either the Option to Extend or the Option to Purchase. In consideration for the extension Jaguar made an additional payment of \$115,180 (US\$87,500) to IFR.

On May 9, 2023 the Company announced that it has entered into an agreement with Jaguar (the “Letter of Intent”) dated April 28, 2023 which provides Jaguar with (i) the option to extend the Proposed Farm-In Arrangement contemplated pursuant to a letter of intent (“LOI”) dated November 28, 2022 and expiring on April 30, 2023 or (ii) the option to purchase the remaining 50% of the shares of Tonalli which are owned by IFR (the “Option to Purchase”).

On May 2, 2023, IFR received \$357,660 (US\$262,500) from Jaguar as a deposit on the Option to Purchase. This deposit will be refunded by IFR within 15 business days in the event that Jaguar exercises the Option to Purchase, and IFR fails to achieve shareholder approval within 90 days of the exercise of the Option to Purchase, should such shareholder approval be required by the TSXV.

Financial Instruments

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

- a) Fair value of financial assets and liabilities: The Company’s financial instruments as at September 30, 2025 include cash, receivables, due to related parties, finance payable, long-term debt and accounts payable and accrued liabilities. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. Cash and cash equivalents and the restricted cash on deposit balances are equal to their fair values.
- b) Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The maximum exposure to loss associated with accounts receivable is the total carrying amounts on the statement of financial position. All amounts outstanding at September 30, 2025 are expected to be collected in 2025. The following table presents the aging of the Company’s accounts receivable at September 30, 2025:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 41,920	\$ 270	\$ -	\$ 1,520	\$ 40,120

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

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

- c) **Interest rate risk:** The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company’s interest rate price risk. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company’s exposure to interest rate fluctuations. A 1% increase or decrease in interest rates would have had no material impact on the cash flow of the Company during the period ended September 30, 2025.

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

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

- f) **Liquidity risk:** Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. At September 30, 2025, the Company's accounts payables and accrued liabilities were \$240,575 the majority of which are due to related parties of the Company at September 30, 2025. The Company regularly reviews its accounts payable balances and follows up on amounts past due. The Company's financial liabilities are summarized below:

Total accounts payable and accrued liabilities	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 240,575	\$ 2,450	\$ 940	\$ 905	\$ 236,280

Accounting Policies and Estimates

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of International Financial Reporting Standards that have a significant impact on the financial results of the Company. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Significant accounting estimates

- a) Share-based payments

The Company uses the Black-Scholes option pricing model in determining share-based compensation expense, which requires a number of assumptions to be made, including the risk-free interest rate, expected life of options and warrants, forfeiture rate, and expected share price volatility. Consequently, the actual share-based compensation expense may vary from the amount estimated. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant.

- b) Deferred taxes and liabilities

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Corporation. To the extent that management's assessment

of the Corporation's ability to utilize future tax deductions changes, the Corporation would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

c) Recoverable amount of cash-generating unit ("CGU")

The recoverable amount of a cash-generating unit ("CGU"), an equity accounted investment or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. Current geopolitical events, including the invasion of Ukraine, inflation increases and volatility in commodity pricing have increased the risk of measurement uncertainty in determining the estimated recoverable amounts, especially estimating the economic proved and probable oil and gas reserves and the related cash flows, and estimating forecasted oil and gas commodity prices.

Operational and other business risks

Current Economic Conditions

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

Need to Replace and Grow Reserves

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

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

Exploration, Development and Production Risks

Oil and natural gas exploration in Mexico 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 on future exploration by the Company will result in new discoveries of oil and natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recover of drilling, completion and operating cost. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme

weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rate over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

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

Volatility of Oil and Natural Gas Prices

The operational results and financial condition of the Company will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the operations, proved reserves, and financial conditions of the Company and could result in a reduction of the net production revenue of the Company causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings that might be made available to the Company are typically determined in part by the borrowing base of the reserves of the Company. A sustained material decline in prices from historical average prices could reduce the borrowing base of the Company, therefore reducing the bank credit available to the Company 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, the Company is not fully insured against all of these risks, nor is all such risks insurable. Although the Company will maintain liability insurance, where available, in an amount which it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Business interruption insurance may also be purchased for selected facilities, to the extent that such insurance is available. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

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

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

Risks of Operating Through Foreign Subsidiaries

The Company conducts operations through Mexican subsidiaries, and a majority of the Company's assets are held in such entities. Accordingly, any limitation on the transfer of cash or

other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have a material adverse effect on the Company's business, financial performance and financial condition and the market price of the Common Shares.

Doing business in Mexico

The Company's operations are exposed to various levels of political, economic and other risks and uncertainties associated with operating 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.

Political Risk, Social Disruptions and Instability

The Company's material project, the Tecolutla Block, is located in Mexico. As such, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability. Further, the Company's exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry.

Companies operating in the oil and gas industry in Mexico have experienced various degrees of interruptions to their operations as a result of social instability and labour disruptions.

The Company cannot provide assurances that this type of social instability or labour disruption will not be experienced in future. The potential impact of future social instability, labour disruptions and any lack of public order may have on the oil and gas industry in Mexico, and on the Company's operations in particular, is not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, ability to move equipment such as drilling rigs from site to site, or disruption of infrastructure facilities, including pipelines, production facilities, public roads, and off-loading stations could be targets or experience collateral damage as a result of social instability, labour disputes or protests. The Company may suffer loss of production or be required to incur significant costs in the future to safeguard the Company's assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to the Company's facilities. There can be no assurance that the Company will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Company does suffer damage.

Environmental Risks

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

Competition

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

Title

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. In accordance with industry practice, the Company will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. However, no absolute assurances can be given that title defects do not exist. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title and interest in and to the properties to which the title defects relate.

Insurance

The Company's involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Company will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Third Party Credit Risks

The Company may be exposed to third party credit risk through its contractual arrangements with its current and future joint venture partners. In the event such entities fail to meet their contractual obligations, such failures could have a material adverse effect on the Company and its cash flow from operations. In addition, poor credit condition in the industry and of a potential joint venture partner may impact a potential joint venture partner's willingness to participate in a future IFR capital program.

Natural Disasters and Weather-Related Risks

The Company is subject to operating hazards normally associated with the exploration and production of oil and natural gas, including blow-outs, explosions, oil spills, cratering, pollution, earthquakes, hurricanes and fires. The occurrence of any such operating hazards could result in substantial losses to the Company due to injury or loss of life and damage to or destruction of oil and natural gas wells, formations, production facilities or other properties.

Information Technology or Cybersecurity

The Company depends on the reliability and security of its information technology systems to conduct certain exploration, development and production activities, process financial records and operating data, communication with its employees and business partners, and for many other activities related to its business. The Company's information technology systems may fail or have other significant shortcomings due to operational system flaws or employee misuse, tampering or manipulation. In addition, the Company may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information. Any of these occurrences could disrupt the business, result in potential liability or reputational damage or otherwise have an adverse effect on the Company's financial results.

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.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability and costs of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for equipment or access restrictions may affect the availability of equipment for the third parties' operations and may delay exploration and development activities, which, in turn, could materially adversely affect the Company's business and financial condition.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company undertakes a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Litigation

In the normal course of the Company's activities, it may become involved in, named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings or legal actions related to personal injury, property damage, property tax, land rights, the environment or lease and contract disputes, among other potential claims. Claims under such proceedings may be material or may be indeterminate. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty, and such proceedings may be determined adversely to the Company and any indemnity from the Company or other third parties, or insurance coverage, in respect of any loss as a result of such proceedings may not be sufficient, and, as a result, could materially adversely affect the Company's business and financial condition.

Alternatives to, and Changing Demand for, Petroleum Products

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil and gas products. We cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows by decreasing our profitability, increasing our costs, limiting our access to capital and decreasing the value of our assets.

Forward Looking Statements

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

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

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

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

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

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

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

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

any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

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

Other information

Additional information regarding the Company's reserves and other data are available on the SEDAR+ website (www.sedarplus.ca).