Management's Discussion & Analysis ("MD&A")

For the three and six month periods ended June 30, 2018

Dated: August 14, 2018

Management's Discussion and Analysis

Management's discussion and analysis ("**MD&A**") is the explanation by Iron Bridge Resources Inc. (the "**Company**" or "**IBR**" or "**Iron Bridge**") of its consolidated financial performance for the period covered by the interim condensed consolidated financial statements along with an analysis of the Company's financial position. The following commentary relates to and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and six month periods ended June 30, 2018 and 2017 and the audited consolidated financial statements and MD&A for the year ended December 31, 2017. All figures provided herein are reported in Canadian dollars unless otherwise stated. Unaudited financial and operating information for the three month period ended June 30, 2018 ("**Q218**"), in addition to the corresponding comparative quarter ended June 30, 2017 ("**Q217**"), are presented in tables within this MD&A. Additionally, unaudited financial and operating information for the six month period ended June 30, 2018 ("**H218**") and the comparative six month period ended June 30, 2017 ("**H217**") is disclosed.

The Company's interim condensed consolidated financial statements for the three and six month periods ended June 30, 2018 and its audited annual 2017 consolidated financial statements, in addition to other disclosure documents, are available on the *System for Electronic Document Analysis and Retrieval* ("**SEDAR**") at www.sedar.com.

This MD&A contains non-GAAP measures which are not prescribed by International Financial Reporting Standards ("**IFRS**") and therefore may not be comparable with the calculating of similar measures presented by other companies. Additionally, statements throughout this MD&A that are not historical facts may be considered "forward-looking statements". Readers should read the advisories under the headings "*Non-GAAP Measures*" and "*Forward-Looking Statements*" included at the end of the MD&A.

This MD&A includes information up to and including August 14, 2018.

Business Overview

Iron Bridge Resources Inc. is an independent, Alberta-based crude oil and natural gas company actively engaged in the exploration for, development and production of crude oil, natural gas and NGLs reserves from the Montney formation at Gold Creek in West Central Alberta in the Western Canadian Sedimentary Basin. IBR is incorporated under the laws of Alberta and its common shares are publicly listed and traded on the Toronto Stock Exchange ("**TSX**") under the trading symbol "**IBR**". The Company's head office is located in Calgary, Alberta at Suite 1200, 500 - 4th Avenue S.W., T2P 2V6. As of August 13, 2018, IBR's market capitalization was approximately $115 million. Market capitalization is calculated by applying a point-in-time closing share trading price to the number of common shares outstanding.

Strategic Asset Disposition

On October 17, 2017, the Company closed the strategic asset disposition (the "**Disposition Transaction**") to Tangle Creek Energy Ltd. ("**Tangle Creek**"), a private oil and gas company, pursuant to which Tangle Creek acquired all of the Company's crude oil and natural gas interests in the Waskahigan, Grizzly, Kaybob, Gilby and Pine Creek areas of West Central Alberta in addition to other minor Alberta properties (collectively, the "**Assets**"). Consideration received by the Company totaled approximately $77.0 million, net of closing adjustments and related costs, comprised of approximately $68.0 million in cash and approximately 13.85 million Tangle Creek common shares (having a value of $9.0 million based upon the issue price of Tangle Creek's most recent equity financing completed). Prior to the closing of the Disposition Transaction, the Assets were classified as *assets held for sale* and measured at the lower of their carrying amount and fair value less costs to sell resulting in an impairment loss of $102.5 million. The effective date of the Transaction was June 1, 2017. The Disposition Transaction was approved by overwhelming majority (over 99%) by the holders of common shares of the Company at a special meeting of shareholders held on October 13, 2017.

The Disposition Transaction strategically transformed the Company to a geographically and geologically-focused Montney producer at Gold Creek in West Central Alberta, holding a large land base consisting of 78 (77.5 net) sections (49,600 net acres) of operated Montney acreage with substantial resource potential. Delineation and development of the Company's Gold Creek asset will focus on extended reach horizontals with increased frac and proppant intensity. These technical improvements coupled with operational efficiencies in spud-to-on-stream cycle times, emulsion management and infrastructure optimization is expected to provide the key to unlocking the vast potential of the Gold Creek Montney fairway.

Iron Chain Technology Corp.

On January 22, 2018, the Company announced the formation and launch of a wholly-owned cryptocurrency mining and hosting operation called Iron Chain Technology Corp. The pace of this cryptocurrency mining project has moderated in light of softening market conditions. In the second quarter, approximately $24 thousand was invested in connection with this data mining project.

Unsolicited Take-Over Offer by Velvet Energy

On May 29, 2018, Velvet Energy Ltd. ("**Velvet**") formally commenced an unsolicited, take-over offer to acquire all of the outstanding shares of Iron Bridge. IBR's Board of Directors (the "**Iron Bridge Board**" or "**Board**"), based upon the recommendation of its independent Special Committee, has unanimously recommended that IBR shareholders reject the unsolicited offer from Velvet to acquire all of IBR's issued and outstanding common shares ("**Common Shares**") at a price of $0.75 in cash per Common Share (the "**Offer**").

The Board's recommendation to IBR shareholders is that they reject the Offer and do not tender their Common Shares. If shareholders have tendered their Common Shares in error and wish to withdraw, they simply need to ask their broker or Evolution Proxy Inc. for assistance with this process. A more detailed discussion of the reasons for rejecting the unsolicited Offer and the inadequacy opinion provided by Cormark Securities Inc. is contained in the *Directors' Circular*. The *Directors' Circular* is also available on SEDAR (www.sedar.com) and on the Company's website (www.ironbridgeres.com).

Petroleum and Natural Gas Production

	Q218	Q217	% Change		H118	H117	% Change
Light crude oil (*Bbls/d*)	**387**	902	(57)		**304**	933	(67)
NGLs (*Bbls/d*)	**299**	225	33		**232**	219	6
Natural gas (*Mcf/d*)	**9,765**	14,572	(33)		**7,512**	13,382	(44)
Oil equivalent (*boe/d*)	**2,314**	3,556	(35)		**1,788**	3,382	(47)
Light crude oil and NGLs (%)	**30**	32	(6)		**30**	34	(12)
Natural gas (%)	**70**	68	3		**70**	66	6

Production for the three months ended June 30, 2018 averaged 2,314 boe/d, an 84% increase over the average production for the preceding first quarter of 2018 of 1,256 boe/d. For the six months ended June 30, 2018, production was 1,788 boe/d. The Company's production levels for the comparative periods in 2017 were higher as a result of the aforementioned Disposition Transaction. The Disposition Transaction closed on October 17, 2017, and as such IBR's comparative second quarter 2017 and six months 2017 production figures include field production from the disposed Assets.

As previously-disclosed, at the end of April 2018 the Company brought on-production its two (2.0 net) new Gold Creek Montney horizontal wells (100/8-21 and 102/8-21). Production from these wells during the second quarter was constrained by water injection limitations, which has been alleviated with the recent in-service of an additional third injection well. In the second quarter, pursuant to good engineering and production practice, the Company fitted both the 100/8-21 and 102/8-21 wells with downhole chokes as part of the testing process to capture data on the impact of production pressure on gas-oil-ratios and water-cuts. Though this resulted in lower production volumes, as anticipated, it has provided important technical data with regard to maximizing resource recovery.

As a result of the water injection constraints, IBR's legacy horizontal wells located at its Gold Creek 2-23 Facility surface lease produced intermittently. Rather than trucking and disposing of produced water to third-party facilities at cost prohibitive rates, the Company intentionally and prudently produced its legacy wells within its water injection capacities of the 2-23 Facility. As

a result of these variable shut-ins, three (3.0 net) Montney wells (the 3-22, 4-18 and 15-23) produced for only 45% (41 days), 47% (43 days) and 64% (58 days) of the time in the second quarter, respectively.

Petroleum and Natural Gas Sales and Commodity Pricing

The following table breaks down IBR's petroleum and natural gas ("**P&NG**") sales into crude oil, natural gas and NGLs sales:

($000s)	Q218	Q217	% Change		H118	H117	% Change
(net realized commodity contract settlements for 2017)							
Light crude oil sales	**2,865**	4,656	(38)		**4,298**	9,982	(57)
Natural gas sales	**1,182**	4,021	(71)		**2,314**	7,282	(68)
NGLs sales	**1,495**	875	71		**2,321**	1,746	33
P&NG sales	**5,542**	9,552	(42)		**8,933**	19,010	(53)

The following table highlights IBR's realized commodity prices and market benchmark prices:

	Q218	Q217	% Change		H118	H117	% Change
IBR prices (net realized commodity contract settlements for 2017)							
Crude oil ($/Bbl)	**81.27**	56.72	43		**78.10**	59.12	32
NGLs ($/Bbl)	**54.86**	42.74	28		**55.20**	43.98	26
Natural gas ($/Mcf)	**1.33**	3.03	(56)		**1.70**	3.01	(44)
Oil equivalent ($/boe)	**26.32**	29.52	(11)		**27.60**	31.05	(11)
Industry benchmark prices							
WTI Cushing oil (US$/Bbl)	**67.88**	48.15	41		**65.38**	49.97	31
Nymex Henry Hub spot gas (US$/MMbtu)	**2.83**	3.14	(10)		**2.84**	3.10	(8)
AECO spot gas ($/Mcf)	**1.20**	2.78	(57)		**1.63**	2.74	(41)
Exchange rate (US$/C$)	**0.7748**	0.7439	4		**0.7828**	0.7497	4

P&NG sales for the three months ended June 30, 2018 decreased 42% to $5.54 million from $9.55 million for the same quarter of 2017. The decrease in revenue can be attributed to overall lower natural gas prices in the second quarter of 2018 compared to the same period in 2017, and lower production volumes.

P&NG sales for the six months ended June 30, 2018 decreased 53% from $19.01 million in 2017 to $8.93 million in 2018. Lower revenue for the period is primarily due to the decrease in oil and gas production combined with lower realized natural gas prices.

IBR's average selling price for its Gold Creek light oil (43 degree API) was $81.27/bbl in the second quarter of 2018, reflecting a $6.32/bbl oil differential to the Canadian-dollar equivalent WTI price of C$87.59/bbl. IBR's natural gas sales price of $1.33/Mcf in the quarter was at a premium to the AECO benchmark price, as its Gold Creek Montney gas benefits from a relatively-higher heat content as compared to the standard heat conversion used in the AECO benchmark pricing. IBR's average selling price for its Gold Creek NGLs was $54.86/bbl in the second quarter of 2018, approximately 68% of its realized oil sales price.

World crude oil prices in the second quarter of 2018 strengthened with continued robust global demand growth buoyed by Venezuelan production declines and U.S. sanctions on Iran escalating OPEC supply risks. However, natural gas prices were beleaguered in the second quarter of 2018. U.S. production growth continues to stifle any price increase momentum and is expected to be an ongoing headwind for gas markets. Notwithstanding another hot North American summer and strong gas demand for use in power generation, the natural gas market continues to wane.

Given that North American crude oil and natural gas benchmark market prices are denominated in U.S. dollar currency, a slight increase in the value of the Canadian dollar compared to the U.S. dollar during the second quarter and six months of 2018, in comparison to both the three month and six month periods ended June 30, 2017, had a negative impact on the Company's revenues.

Commodity Price Risk Management

IBR did not have any outstanding derivative contracts as at June 30, 2018 and December 31, 2017.

Other Income

The Company's *other income* is comprised of the following:

($000s)	Q218	Q217	% Change		H118	H117	% Change
Transportation income	-	382	(100)		9	975	(99)
Gathering, compression, road use and other income (loss)	1	261	(100)		(7)	521	(101)
Interest income	110	-			268	-	
Other income	111	643	(83)		270	1,496	(82)

The Company's *other income* for the quarter ended June 30, 2018 amounted to $111 thousand representing an 83% decrease from recognized *other income* of $643 thousand in the second quarter of 2017. IBR's *other income* for the six months ended June 30, 2018 amounted to $270 thousand representing an 82% decrease from recognized *other income* of $1.50 million in the comparative first half 2017 period. Both reporting period decreases are attributable to reduced *gathering, compression and road use income* as a result of the aforementioned Disposition Transaction.

Transportation income relates to the Company's commercial efforts to mitigate its unutilized capacity attributable to its gas transportation firm receipt service obligations through natural gas supply transactions with other producers in the market to meet the shortfall contract quantities. Mitigation of the Company's excess gas firm transportation service in 2018 was muted due to shipper over-supply of overall firm transportation service on the pipeline system. IBR's *other income* in 2018 is primarily all related to bank interest income of $110 thousand and $268 thousand for the three month and six month periods of 2018, respectively.

Petroleum and Natural Gas Royalties

($000s)	Q218	Q217	% Change		H118	H117	% Change
Crown	150	300	(50)		(6)	1,007	(101)
Freehold and overrides	-	140	(100)		3	234	(99)
Total royalties	150	440	(66)		(3)	1,241	(100)
Corporate royalty rate (%) [1]	2.7	4.7	(43)		-	6.7	(100)

(1) Royalty rate is based on P&NG sales, excluding any realized gains or losses from risk management commodity contract settlements.

IBR has mineral leases primarily with the Alberta Provincial Government (the "**Crown**"). At Gold Creek, a significant portion of the Company's current Montney production and future new well production, benefits from the Crown's Modernized Royalty Framework, which provides for a pre-payout drilling and completion cost allowance based on a revenue minus cost royalty structure across all hydrocarbons, a post-payout royalty rate based on commodity prices, and the reduction of royalty rates for mature wells. IBR's significant Gold Creek Montney leasehold position of 49,920 gross acres (49,600 net acres) is all Crown-lease based. Royalties also include the impact of gas cost allowance ("**GCA**") which is a reduction of royalties payable to the Crown to recognize capital expenditures along with operating costs and custom processing fees incurred by IBR in the gathering and processing of the Crown's share of the Company's natural gas production.

For the second quarter of 2018, royalties were $150 thousand (2.7% rate) compared to $440 thousand (4.7% rate) in the comparative second quarter of 2017. P&NG royalty expense in the second quarter of 2018 was positively impacted by a Crown GCA net recovery related to a prior period in the amount of $208 thousand. Total royalties for the six months ended June 30, 2018 were negligible, which benefited from GCA recoveries, as compared to $1.24 million (6.7% rate) in royalty expense for the same period of 2017.

Net Operating Expenses

($000s)	Q218	Q217	% Change		H118	H117	% Change
Operating expenses	**1,850**	3,792	(51)		**2,561**	7,356	(65)
Less: Gathering, compression, road use income	**1**	261	(100)		**(7)**	521	(101)
Net operating expenses [(1)]	**1,849**	3,531	(48)		**2,568**	6,835	(62)
Per unit ($/boe)	**8.78**	10.91	(20)		**7.93**	11.16	(29)

(1) See definition under the "*Non-GAAP Measures*" section contained within this MD&A.

For the second quarter of 2018, total net operating expenses were $1.85 million ($8.78/boe) compared to $3.53 million ($10.91/boe) in 2017, a decrease due to lower production levels and an overall lower per-unit cost structure. Operating costs for the six months ended June 30, 2018 were $2.57 million ($7.93/boe), compared to $6.84 million ($11.16/boe) for the same six month period of 2017. IBR's 2018 year-to-date operating cost profile has benefited from the Company's strategic transition to a geographically-concentrated, Montney-focused play at Gold Creek with a lower operating cost structure. Moreover, future production additions are expected to provide further operational efficiencies with fixed costs being distributed over a higher, future production base.

Net Transportation Expenses

($000s)	Q218	Q217	% Change		H118	H117	% Change
Transportation expense	**1,105**	1,609	(31)		**2,052**	3,205	(36)
Less: Transportation income	**-**	382	(100)		**9**	975	(99)
Net transportation expense [(1)]	**1,105**	1,227	(10)		**2,043**	2,230	(8)
Per unit ($/boe)	**5.25**	3.79	39		**6.31**	3.64	73

(1) See definition under the "*Non-GAAP Measures*" section contained within this MD&A.

Transportation expense represents the cost of pipeline transporting IBR's crude oil and natural gas and trucking its NGLs to their respective title transfer points. IBR is party to 'take-or-pay' firm transportation service agreements for both its natural gas (Alliance Pipeline system) and crude oil (Pembina Peace system) sales production, which ensures uninterrupted delivery of the Company's light oil and gas production.

For the second quarter of 2018, total net transportation expenses were $1.11 million ($5.25/boe) compared to $1.23 million ($3.79/boe) in the second quarter of 2017 and $0.94 million ($8.29/boe) in the preceding first quarter of 2018. For the six months ended June 30, 2018, transportation expenses were $2.04 million ($6.31/boe), compared to $2.23 million ($3.64/boe) for the same six month period of 2017. In the comparative periods of 2017*, transportation income* pertains to the Company's successful commercial efforts to mitigate its unutilized Alliance take-or-pay gas transportation obligations through natural gas supply transactions with other producers in the market to meet their shortfall contract quantities. However, supply/demand market conditions in the first six months of 2018 have not been conducive to such commercial mitigation.

General and Administrative Expenses

($000s)	Q218	Q217	% Change		H118	H117	% Change
Gross	**1,511**	1,622	(7)		**2,789**	3,780	(26)
Recoveries and capitalized	**(201)**	(328)	(39)		**(400)**	(615)	(35)
Expensed	**1,310**	1,294	1		**2,389**	3,165	(25)
Per unit ($/boe)	**6.22**	4.00	56		**7.38**	5.17	43

Iron Bridge's second quarter 2018 head office general and administrative ("**G&A**") expenses amounted to $1.31 million, in-line with the comparative second quarter 2017 expensed amount. However, reported G&A in the second quarter of 2018 includes approximately $300 thousand of costs incurred in connection with defending the hostile, unsolicited take-over bid launched by Velvet Energy and the related strategic alternatives, 'white knight' process presently ongoing by IBR. This extraordinary G&A item impacted IBR's second quarter per unit expense by $1.42/boe. Excluding these costs, the Company's per-unit G&A expense for the quarter would have been $4.80/boe, as compared to the Company's preceding first quarter 2018 per-unit cost of $9.54/boe.

For the six-month period ended June 30, 2018, G&A expenses were $2.39 million, a 25% decrease from the $3.17 million expensed in the comparative six month period of 2017. Presently, IBR employs 16 head office personnel, of which 13 employees are full-time.

Share-Based Compensation

($000s)	Q218	Q217	% Change		H118	H117	% Change
SBC (pre-capitalization)	**707**	608	16		**1,211**	1,261	(4)
SBC (capitalized)	**(120)**	(223)	(46)		**(226)**	(424)	(47)
SBC expense	**587**	385	52		**985**	837	18

Share-based compensation (**"SBC"**) costs are non-cash charges which reflect the estimated value of share-based awards including stock options, restricted share awards and warrants. The value of each share-based award is recognized as an expense over the period from the grant date to the date of final vesting of the award. The Company capitalizes a portion of share-based compensation expense which is directly attributable to personnel involved in exploration and development capital investment activities. The Company uses the fair-value method for the determination of non-cash related share-based compensation expense.

IBR recognized $587 thousand of SBC expense in the second quarter of 2018 compared to $385 thousand in the second quarter of 2017. The increase in SBC costs from the comparative second quarter of 2017 is primarily related to the Company's warrants. During the second quarter of 2018, the Company's common shares achieved a 20-day weighted average trading price equal to or exceeding $0.75 per share and as such the seventy-five cent, one-third tranche of its outstanding warrants vested, resulting in IBR recognizing the remaining stock-based compensation expense related to this one-third warrants tranche. The Company recorded share-based compensation expense (net of capitalization) in respect of the warrants of $213 thousand and $253 thousand, respectively, for the three and six month periods ended June 30, 2018 (three and six month periods ended June 30, 2017: nil) with a corresponding increase to the warrants carrying value.

Finance Expense

($000s)	Q218	Q217	% Change		H118	H117	% Change
Interest on bank debt	**21**	257	(92)		**21**	338	(94)
Accretion of decommissioning obligations	**17**	86	(80)		**32**	167	(81)
Total finance expense	**38**	343	(89)		**53**	505	(90)
Average bank debt level [(1)]	**1,764**	27,729	(94)		**882**	19,598	(95)
Average bank debt interest rate (%)	**5.4**	3.4	59		**5.4**	3.6	50
Average bank Prime lending rate (%)	**3.4**	2.7	26		**3.4**	2.7	26

(1) Average bank debt based on simple average within respective periods.

Interest Expense

In reporting periods wherein the Company recognizes interest expense, those amounts primarily include cash interest paid on outstanding bank indebtedness and stand-by fees, which are bank charges calculated based on undrawn available bank credit. IBR's outstanding bank debt balance was reduced to zero upon the closing of the Disposition Transaction on October 17, 2017. The Company did not have any bank debt outstanding during the first quarter of 2018.

Interest Rate Risk Management

IBR has a floating interest rate on any bank debt outstanding, which subjects the Company to interest rate risk. From time-to-time, the Company may mitigate the risk of increasing market interest rates by entering into financial derivative contracts to fix interest rates. Borrowings under the Company's Credit Facility bear interest at a rate equal to the Lender's prime rate plus 2.0% per annum.

Accretion Expense

Accretion expense represents the change in the time value of the decommissioning and restoration obligations. Accretion expense was $17 thousand for the second quarter of 2018 and $32 thousand for the six month period ended June 30, 2018. Please refer to the *"Decommissioning Obligations"* section hereinafter.

The total decommissioning obligation liability may increase over a period based on new decommissioning obligations incurred from drilling wells, constructing facilities or acquiring operations. Similarly, this total obligation can be reduced as a result of abandonment work undertaken which reduces future obligations or as a result of disposing operations. Adjusting the underlying assumptions used in the decommissioning obligation calculation, such as abandonment timing, cost estimates, the inflation or the discount rate, may increase or decrease the total decommissioning obligation liability.

Depletion and Depreciation

	Q218	Q217	% Change		H118	H117	% Change
Depletion and depreciation – ($000s) (1)	**2,822**	5,852	(52)		**4,679**	12,178	(62)
Per unit ($/boe)	**13.40**	18.09	(26)		**14.46**	19.89	(27)

(1) Includes depletion of the capitalized portion of the decommissioning obligation which was capitalized to the property, plant and equipment balance and is being depleted over the life of the Company's proved plus probable reserves.

The Company's depletion and depreciation expense is calculated on a unit-of-production basis using proved plus probable oil and gas reserves. The unit-of-production rate takes into account capital expenditures incurred to-date, in conjunction with future development capital expenditures required to develop those proved plus probable reserves. As a result, the depletion and depreciation provision, on an oil equivalent per-unit basis, may fluctuate period-to-period primarily due to changes in the underlying proved plus probable reserves base and in the amount of capital costs subject to depletion and depreciation. These capital costs are segregated and depleted on an area-by-area or field component basis relative to the respective underlying proved plus probable reserves base. The carrying value of undeveloped land in exploration and evaluation assets, which has no proved and/or probable reserves assigned to it, is depreciated over its term to expiry which is also charged to depletion and depreciation expense.

IBR's depletion and depreciation expense for the quarter ended June 30, 2018 amounted to $2.82 million. On a combined unit-of-production basis, the depletion and depreciation provision for the second quarter of 2018 was $13.40/boe. The decrease in per unit depletion and depreciation expense for both the three and six month periods ended June 30, 2018 from the comparable 2017 rates is primarily due to the previously-discussed Disposition Transaction. The Company's sole remaining Gold Creek field has a lower depletion and depreciation rate than the disposed Assets.

Deferred Taxes

Tax Pool Category (1)	Deduction Rate	June 30, 2018	December 31, 2017
		(millions)	(millions)
Canadian exploration expense (CEE)	100%	**$ 19.4**	$ 11.4
Canadian development expense (CDE)	30%	**59.6**	69.1
Canadian oil and gas property expense (COGPE)	10%	**-**	-
Non-capital losses (NCL)	100%	**189.3**	146.6
Undepreciated capital cost (UCC)	25%	**78.1**	94.9
Share issue costs and other	Various	**3.0**	3.3
Total		**$ 349.4**	$ 325.3

(1) Actual tax pool amounts may vary as corporate tax returns are finalized and filed.

The Company did not incur any cash tax expense in the three month or six month periods ended June 30, 2018, nor does it expect to pay any cash tax in 2018 or 2019 based on current commodity prices, forecast taxable income, existing tax pools and planned capital expenditures. The Company has not realized the deferred income tax asset.

Operations Netback and Net Loss per Boe

The following table highlights the Company's operating netback, adjusted funds flow and net loss on a per boe basis for the three month and six month periods ended June 30, 2018 and 2017:

Columns may not add due to rounding	Q218	Q217	% Change		H118	H117	% Change
($/boe)							
Petroleum and natural gas sales	**26.32**	29.22	(10)		**27.60**	30.89	(11)
Realized gain on risk management contracts	**-**	0.30	(100)		**-**	0.16	(100)
Royalties	**(0.71)**	(1.36)	(48)		**0.01**	(2.03)	(100)
Net operating expense [(1)]	**(8.78)**	(10.91)	(20)		**(7.93)**	(11.16)	(29)
Net transportation expense [(1)]	**(5.25)**	(3.79)	39		**(6.31)**	(3.64)	73
Operating netback	**11.58**	13.46	(14)		**13.36**	14.22	(6)
General and administrative expense	**(6.22)**	(4.00)	56		**(7.38)**	(5.17)	43
Interest income (expense)	**0.42**	(0.79)	(153)		**0.76**	(0.55)	(238)
Adjusted funds flow [(1)]	**5.78**	8.66	(33)		**6.74**	8.50	(21)
Depletion and depreciation	**(13.40)**	(18.09)	(26)		**(14.46)**	(19.89)	(27)
Accretion	**(0.08)**	(0.27)	(70)		**(0.10)**	(0.27)	(63)
Share-based compensation expense	**(2.79)**	(1.19)	134		**(3.04)**	(1.37)	122
Gain on non-monetary property exchange	**-**	-			**1.13**	0.82	38
Gain (loss) on property disposition	**0.64**	-			**(0.23)**	-	
Unrealized gain on risk management contracts	**-**	0.07	(100)		**-**	0.59	(100)
Deferred tax reduction	**-**	1.98	(100)		**-**	2.46	(100)
Net loss	**(9.85)**	(8.82)	12		**(9.96)**	(9.17)	9

(1) See definition under the "*Non-GAAP Measures*" section contained within this MD&A.
(2) The Company's reported comparative 2017 results include operational and financial contribution from the disposed Assets.

Cash Provided from Operating Activities, Adjusted Funds Flow and Net Loss

The following table details the Company's cash provided from operating activities, adjusted funds flow and net loss:

($000s, except share data)	Q218	Q217	% Change		H118	H117	% Change
Cash provided from operating activities	**(1,475)**	1,669	(188)		**470**	4,901	(90)
Per share – basic and diluted	**(0.01)**	0.01	(200)		**0.00**	0.03	(100)
Adjusted funds flow [(1)]	**1,217**	2,803	(57)		**2,183**	5,201	(58)
Per share – basic and diluted	**0.01**	0.02	(50)		**0.01**	0.03	(67)
Net loss	**(2,074)**	(2,854)	(27)		**(3,224)**	(5,612)	(43)
Per share – basic and diluted	**(0.01)**	(0.02)	(50)		**(0.02)**	(0.04)	(50)

(1) See definition under the "*Non-GAAP Measures*" section contained within this MD&A.

Decommissioning Obligations

As at June 30, 2018, the Company recorded decommissioning obligations of $3.1 million for estimated future costs to plug and abandon its crude oil and natural gas wells and to dismantle and remove associated production facilities, as compared to $2.8 million at December 31, 2017. For the six month period ended June 30, 2018, the liability increased by a total of $300 thousand, which is the result of IBR's first half drilling program, booked accretion expense and a minor change in the discount factor estimate.

Capital Investment Expenditures

IBR's second quarter and first half capital investment programs are outlined as follows:

($000s)	Q218	Q217	% Change		H118	H117	% Change
Land	**20**	71	(72)		**20**	517	(96)
Geological and geophysical	**150**	-			**241**	-	
Drilling and completions	**1,236**	1,117	11		**20,207**	15,188	33
Field facilities and well equipment	**3,225**	5,058	(36)		**8,431**	15,128	(44)
Total exploration and development	**4,631**	6,246	(26)		**28,899**	30,833	(6)
Other[(1)]	**219**	270	(19)		**398**	297	34
Property dispositions	**(85)**	-			**(62)**	-	
Total capital expenditures	**4,765**	6,516	(27)		**29,235**	31,130	(6)

(1) Q218 includes capitalized G&A of 192 thousand (Q217: $197 thousand) and excludes non-cash capitalized stock-based compensation of 120 thousand (Q217: $223 thousand).

In the second quarter, the Company completed necessary enhancement work to its wholly-owned Gold Creek 2-23 Facility. This battery was upgraded and re-configured in order to alleviate pressure restrictions, more efficiently handle high-volume wells and to support future development and growth of its Montney production base. As a result, the battery's upgrade configuration is now optimized and is capable of processing 2,800 Bbls/d of light oil and 22 MMcf/d of natural gas for an oil equivalent capacity of approximately 6,500 boe/d.

During the month of April 2018 the Company finalized tie-in connection and equipping of its two (2.0 net) new Gold Creek Montney horizontal wells (100/8-21 and 102/8-21), in addition to its second water disposal well.

Reported second quarter 2018 capital expenditures also includes residual costs for the completion and testing operations of the 100/8-21 and 102/8-21 wells, in addition to residual drilling costs with equipment de-mobilization and lease restoration associated with IBR's second Montney delineation, land-holding horizontal well.

Liquidity and Capital Resources

The Company's net debt levels are directly related to its cash provided from operating activities, capital expenditures, common share financings and acquisition and disposition activity.

($000s)	June 30, 2018		December 31, 2017		% Change
Bank debt	**4,026**		-		
Working capital deficit (surplus) [(1)]	**1,717**		(21,691)		(108)
Net debt (surplus)	**5,743**		(21,691)		(126)
Share investment	**9,000**		9,000		-
Book capitalization [(2)]	**333,590**		333,950		-
Market capitalization [(3)]	**116,116**		111,861		4

(1) Reflects current assets (excluding non-cash risk management) less current liabilities (excluding non-cash risk management).
(2) Reflects the book value of share capital, as reported on the Company's statements of financial position.
(3) Based on the market closing price of IBR's stock and the outstanding number of common shares at period-end.

Historically, IBR has funded its exploration and development capital program primarily through a combination of cash provided from operating activities, drawdowns on the Company's bank Credit Facility or by issuing equity. Such sources of funding continue to be available to IBR.

In the second quarter of 2018, there were no common shares purchased for cancellation in connection with the Company's normal course issuer bid, share buy-back program (the "**NCIB**"). In the first quarter of 2018, however, a total of 545,172 shares were purchased for cancellation for $366 thousand. The cancelled shares have been removed from share capital. Since commencement of its NCIB in November 2017, the Company has purchased a total of 1.77 million shares for cancellation for a total of $1.17 million.

As at June 30, 2018, the Company had an uncommitted demand revolving credit facility (the "**Credit Facility**") with a Canadian Bank (the "**Lender**"). Subsequent to the end of the second quarter, in connection with the semi-annual borrowing base re-determination of its revolving Credit Facility, the Company's maximum borrowing base limit of the Credit Facility provided by the Lender was increased to $10.0 million from the previous borrowing base amount of $5.0 million. The Credit Facility is payable on demand and provides that advances may be made in the way of prime rate loans and letters of credit/guarantees. Prime rate loans bear interest at a rate equal to the Lender's prime rate plus 2.0% per annum on the outstanding principal (payable monthly).

The Credit Facility is secured by a demand debenture in the principal amount of $75.0 million with a floating charge over all assets of the Company and contains one financial covenant, an adjusted working capital ratio of at least 1:1. The adjusted working capital ratio is calculated by: dividing the summation of current assets less unrealized hedging gains plus any undrawn availability under the Credit Facility by the summation of current liabilities less unrealized hedging losses and less any current portion of bank debt. As at June 30, 2018 the adjusted working capital ratio was 0.8:1.0 and as such the Company was non-compliant with this covenant. However, subsequent to June 30, 2018 the Lender has provided the Company with a covenant waiver, and extended and increased the borrowing base as noted above. The recent subsequent borrowing base increase would result in an adjusted working capital ratio as at June 30, 2018 of 1.5:1.0.

At June 30, 2018, the Company had $4.0 million bank debt outstanding (December 31, 2017: nil).

At June 30, 2018, the Company had outstanding letters of credit for $791 thousand, as secured by the Lender, which reduce the available credit by that collateralized amount.

Adjusted working capital bank financial covenant:

($000s)	$5.0 million Borrowing Base [(1)]	$10.0 million Borrowing Base[(2)]
	June 30, 2018	June 30, 2018
Current Assets:		
Current assets	4,963	4,963
Less: unrealized hedging gains	-	-
Add: undrawn availability under the Credit Facility	183	5,183
Total current assets	5,146	10,146
Current Liabilities:		
Current liabilities	10,706	10,706
Less: unrealized hedging losses	-	-
Less: current portion of bank debt	(4,026)	(4,026)
Total current liabilities	6,680	6,680
Adjusted working capital ratio	0.8	1.5

(1) As of June 30, 2018 the Credit Facility borrowing base limit was $5.0 million.
(2) Effective August 10, 2018, the Credit Facility borrowing base was increased to $10.0 million.

Share Investment

Iron Bridge holds 13.8 million shares of Tangle Creek Energy Ltd., a private company focused on light oil development of the Montney and Dunvegan plays. Iron Bridge acquired this investment position as part of the consideration received in connection with its October 2017 Disposition Transaction. This investment has a book carrying value of $9.0 million.

LIQUIDITY ($000s)	Q218	Q217
Cash and cash equivalents, beginning of period	15,463	-
Net cash from (used in):		
Operating activities	(1,475)	1,669
Financing activities	4,026	8,313
Investing activities	(18,014)	(9,982)
Change in cash and cash equivalents	(15,463)	-
Cash and cash equivalents, end of period	-	-

Capital Structure and Resources

The Company's capital resources consist primarily of cash provided from operations, available bank lines of credit, its share investment in Tangle Creek Energy Ltd. and the issuance of equity. IBR's Management believes the Company will have the necessary capital resources to fund future capital spending and meet working capital requirements. The Company's cash provided from operations depends on a number of factors, including commodity prices, production volumes, royalties, operating and transportation expenses, and foreign exchange rates.

The Company's objectives when managing its capital structure are to maintain an optimal capital structure in order to reduce its cost of capital, safeguard the business as a going concern, maintain financial flexibility to preserve its access to capital markets and its ability to meet financial obligations, and to finance internally-generated growth in addition to potential acquisitions. IBR manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company considers its capital structure to include shareholders' equity, debt and working capital. To maintain or adjust the capital structure, IBR may from time-to-time, issue common shares, dispose of non-core assets, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

IBR monitors its capital structure based on the current and projected ratio of total net debt-to-annualized adjusted funds flow. The Company's objective is to maintain a net debt-to-annualized adjusted funds flow ratio of less than two times, however, the ratio is affected by business cycles and may increase at certain times. For example, as a result of acquisitions or a precipitous decrease in commodity prices. To facilitate the management of this ratio, the Company prepares annual capital budgets and business plan forecasts, which are updated on a regular basis depending on varying factors such as general market conditions and successful capital deployment.

Common Share Information

IBR's authorized capital consists of an unlimited number of voting common shares. The number of common shares of the Company outstanding as at June 30, 2018 was 154.8 million.

		2018			2017 Quarterly Comparison			
		Q218	**Q118**		**Q417**	**Q317**	**Q217**	**Q117**
Share Price:	High	**$ 0.82**	$ 0.74		$ 0.80	$ 0.68	$ 0.84	$ 0.90
	Low	**$ 0.46**	$ 0.50		$ 0.54	$ 0.42	$ 0.52	$ 0.63
	Close	**$ 0.75**	$ 0.51		$ 0.72	$ 0.64	$ 0.62	$ 0.72
Avg. daily trading volume		**306,394**	235,097		357,079	251,548	291,171	452,749
Shares outstanding - period end		**154,820,692**	154,820,692		155,361,864	156,518,232	151,019,234	151,019,234
Weighted average basic and diluted		**154,820,692**	154,858,598		156,279,364	152,455,375	151,019,234	150,987,836

	TSX Trading Price Range		
2018 Monthly	**High ($)**	**Low ($)**	**Total Period Volume**
January	0.74	0.57	7,118,300
February	0.62	0.52	3,466,200
March	0.59	0.50	3,991,500
April	0.51	0.46	1,840,900
May	0.82	0.46	12,045,400
June	0.80	0.74	5,722,900

The following table summarizes the common shares, stock options, restricted share awards and warrants outstanding at the indicated dates:

	August 14, 2018	June 30, 2018	December 31, 2017
Common shares	**154,820,692**	**154,820,692**	155,361,864
Stock options	**10,111,000**	**10,111,000**	9,480,500
Restricted share awards	**834,584**	**834,584**	777,167
Warrants (1)	**5,349,999**	**5,349,999**	5,349,999

(1) The warrants were granted pursuant to a private placement which closed on September 7, 2017. Each whole warrant entitles the holder to purchase one common share at a price of $0.75 per share for a period of four years following the date of issuance. The warrants vest and become exercisable in equal tranches of one-third each upon the 20-day weighted average trading price of the common shares on the TSX equalling or exceeding $0.75, $0.90 and $1.05, respectively.

Commitments

In the normal course of business, the Company has entered into various commitments that will have an impact on its future operations. These commitments primarily relate to an operating lease relating to IBR's corporate head office space, natural gas, crude oil and NGLs transportation and field equipment operating leases. All such commitments and obligations reflect market conditions prevailing at the time of the respective contracts and none are with related parties. IBR believes it has sufficient sources of capital to fund all commitments and obligations as they may come due.

The following table summarizes the Company's various contractual obligations and commitments as at June 30, 2018:

($000s)	2018	2019	2020	2021	2022	Thereafter	Total
Head office operating lease (1)	117	403	426	439	445	-	1,830
Oil transportation	800	1,220	558	165	60	132	2,935
Gas transportation	1,084	2,168	2,168	1,807	-	-	7,227
NGLs transportation	21	36	28	23	19	59	186
Field equipment	320	566	29	-	-	-	915
Total	2,342	4,393	3,209	2,434	524	191	13,093

(1) Pertains to lease payments associated with the Company's Calgary, Alberta head office lease, including an estimate of the Company's share of operating, utilities, property taxes and parking for the duration of the office lease.

Financial Highlights

The following tables summarize IBR's key quarterly financial results for the past eight quarters:

	Q218	Q118	Q417	Q317	Q217	Q117	Q416	Q316
Production								
Natural gas *(Mcf/d)*	**9,765**	5,233	10,369	16,700	14,572	12,179	17,110	29,163
Oil and NGLs *(Bbls/d)*	**686**	384	688	1,227	1,127	1,177	1,801	3,259
Oil equivalent boe/d *(6:1)*	**2,314**	1,256	2,416	4,010	3,556	3,207	4,652	8,119
Commodity Prices (1)								
Natural gas *($/Mcf)*	**1.33**	2.40	2.03	1.87	3.03	2.98	2.79	2.64
Oil and NGLs *($/Bbl)*	**69.76**	65.33	58.07	46.34	53.93	58.47	54.21	49.78
Oil equivalent *($/boe)*	**26.32**	29.99	25.24	21.94	29.52	32.76	31.24	29.47

	Q218	Q118	Q417	Q317	Q217	Q117	Q416	Q316
($000s, except per share amounts)								
Financial Results								
P&NG sales (1)	**5,542**	3,391	5,610	8,095	9,552	9,458	13,371	22,015
Net loss	**(2,074)**	(1,150)	(3,637)	(151,799)	(2,854)	(2,758)	(65,508)	(4,469)
Per share – basic and diluted	**(0.01)**	(0.01)	(0.02)	(1.00)	(0.02)	(0.02)	(0.43)	(0.03)
Cash provided from operating activities	**(1,475)**	1,945	4,534	(2,659)	1,669	3,232	4,984	9,027
Per share – basic and diluted	**(0.01)**	0.01	0.03	(0.02)	0.01	0.02	0.03	0.06
Adjusted funds flow (2)	**1,217**	966	(387)	(3,293)	2,803	2,398	3,373	9,290
Per share – basic and diluted	**0.01**	0.01	(0.00)	(0.02)	0.02	0.02	0.02	0.06
Total assets	**101,132**	113,271	100,157	152,714	296,920	293,417	276,160	458,637
Total other long-term liabilities	**3,084**	3,049	2,818	2,607	45,040	35,834	14,230	124,732

(1) Commodity prices and petroleum and natural gas sales include realized gains or losses from risk management commodity contract settlements.
(2) See definition under the “Non-GAAP Measures” section contained within this MD&A.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements, special purpose entities, financing partnerships or guarantees, other than as disclosed in this section. IBR has a head office lease agreement, as disclosed in the aforementioned *Commitments* table, which was entered into in the normal course of business operations. The lease has been treated as an operating lease, rental arrangement whereby the lease payments are included in G&A expenses. No asset or liability value has been assigned to these leases on the statement of financial position as at June 30, 2018.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Company has designed disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”), by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on April 1, 2018 and ended on June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company’s internal controls over financial reporting.

No material changes in the Company's disclosure controls and procedures and its internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires IBR’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis and are based on the Company's management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

The Company's assets are aggregated into cash generating units for the purpose of calculating impairment. Cash generating units ("**CGU**" or "**CGUs**") are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment in regards to geographical proximity, geology, production profile, shared infrastructure and similar exposure to market risk and materiality. Based on this assessment, the Company's CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of proved and/or probable reserves, production rates, future crude oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these consolidated financial statements.

Estimation of recoverable quantities of proved and probable reserves include estimates and assumptions regarding future commodity prices, foreign currency exchange rates, discount rates and operating and transportation costs for future cash flows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries of reserves. The economic, geological and geophysical, and other technical factors used to estimate proved plus probable reserves may change from period to period. Changes in reported reserves can affect the non-cash impairment of assets, the provision for decommissioning obligations, the economic feasibility of exploration and evaluation assets, the recognition of deferred tax assets and the amounts reported for depletion and depreciation of property, plant and equipment. These reserve estimates are prepared in accordance with the *Canadian Oil and Gas Evaluation Handbook* by independent qualified reserves engineers, who work with information provided by the Company to establish reserve determinations based on the guidance stipulated by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities.*

The Company estimates the decommissioning obligations for crude oil and natural gas wells and their associated production facilities. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of crude oil and natural gas properties based upon the estimation of recoverable quantities of proved and probable reserves being acquired.

The Company's estimate of the depletion and depreciation of property, plant and equipment is based on estimates of proved and probable reserves and the associated future development costs.

The Company's estimate of non-cash share-based compensation is dependent upon estimates of historic stock price trading volatility, interest rates, expected terms to exercise and forfeiture rates.

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward crude oil and natural gas prices, expected interest rates, expected future foreign currency exchange rates and expected volatility in these variables.

The deferred tax asset or liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

Changes in Significant Accounting Policies

IFRS 9 *"Financial Instruments"*

On January 1, 2018, the Company adopted IFRS 9 "*Financial Instruments*". IFRS 9 replaces IAS 39 "*Financial Instruments: Recognition and Measurement*". IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, amends the requirements related to hedge accounting and introduces a forward-looking expected loss impairment model. The adoption of IFRS 9 did not have a material impact on the Company's interim condensed consolidated financial statements. Iron Bridge applied the new standard retrospectively, without restatement of comparative figures.

Under IFRS 9, financial assets are classified into one of three primary measurement categories on initial recognition, namely: i) amortized cost, ii) fair value through other comprehensive income ("**FVOCI**"), and iii) fair value through profit and loss ("**FVTPL**"). Classification is dependent upon both the business model in which the financial asset is managed and the underlying contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost if both of the following conditions are met:

i. The business model objective is to hold assets to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet condition ii. above and that are held with a business model objective of collecting contractual cash flows and selling financial assets are subsequently measured at FVOCI.

All other financial assets are subsequently measured at FVTPL.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table summarizes the financial instrument classification of the Company's financial assets and liabilities under IAS 39 and under the newly adopted IFRS 9 standard:

Financial Instrument	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Accounts receivable	Loans and receivables (amortized cost)	Amortized cost
Share investment	Available-for-sale financial asset (FVOCI)	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

There was no impact on the carrying amounts of the Company's financial instruments as a result of the adoption of IFRS 9.

IFRS 9 introduces a single expected credit loss ("**ECL**") impairment model that applies to all financial instruments in its scope. In-scope financial instruments include financial assets that are debt instruments measured at amortized cost or FVOCI, including loans, trade receivables and debt securities. Equity investments are out-of-scope. The ECL impairment model is based upon a probability-weighted estimate of credit losses. The adoption of the ECL impairment model required under IFRS 9 did not have a material impact on the Company's financial assets.

IFRS 15 *"Revenue From Contracts with Customers"*

Iron Bridge adopted IFRS 15 *"Revenue From Contracts With Customers"* with a date of initial application of January 1, 2018 using the retrospective method to adopt the new standard. The adoption of IFRS 15 did not have a material impact on the measurement or timing of the Company's revenue. Refer to Note 7 in the interim condensed consolidated financial statements for the three and six month periods ended June 30, 2018 for new disclosure required under IFRS 15.

Revenue from the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often pipelines or other transportation methods.

Iron Bridge evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Fees charged to other entities for use of pipelines and facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in other income when the related services are provided.

Other income is comprised of transportation revenue, interest income and gathering, compression and road use income and is recognized when significant risks and rewards are transferred. The Company has adjusted prior year presentation to match the current year, where other income was recorded, with an increase to operating and transportation expenses, with no change to net loss.

Revenue from interest income is recognized as it accrues, using the effective interest method.

Accounting Pronouncements

The following pronouncements from the International Accounting Standards Board ("**IASB**") will become effective for financial reporting periods beginning on or after January 1, 2019 and have not yet been adopted by the Company. These new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

- IFRS 16 – "*Leases*" requires the recognition of most leases on the balance sheet, and effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the lease term is twelve months or less and for leases of low value items. IFRS 16 accounting treatment for lessors is unchanged, which provides the choice of classifying a lease as either a finance or operating lease. The new standard is effective for annual periods beginning on or after January 1, 2019.

The Company is in the early stages of assessing the impact of IFRS 16, including identifying and examining the contracts affected by the new standard. The extent of the impact upon the Company's financial statements has not yet been determined.

Other Information

Oil Equivalent Conversions

In this MD&A, production and reserves data is commonly stated in barrels of oil equivalent using a six (6) to one (1) conversion ratio when converting thousands of cubic feet of natural gas to barrels of oil and a one-to-one conversion ratio for natural gas liquids. Such conversion may be misleading, particularly if used in isolation. An oil equivalent conversion ratio of six (6) Mcf: one (1) Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Statements

Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, intentions, opinions, forecasts, projections, anticipations, guidance or other similar statements that are not statements of fact. Although IBR believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond IBR's control, including but not limited to the following: the impact of general economic conditions; volatility in market prices for crude oil, natural gas and NGLs; general industry and broader market conditions; foreign exchange currency fluctuation; imprecision of proved and/or probable reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other crude oil and natural gas producers; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the crude oil and natural gas industry; hazards such as fire, explosion, blowouts and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; greenhouse gas emissions and carbon tax levy legislation, and the other risks and uncertainties outlined in IBR's Annual Information Form for the year ended December 31, 2017 available under the Company's profile at www.sedar.com.

Non-GAAP Measures

Throughout this MD&A, the Company uses non-GAAP measures as an indicator of the Company's performance. These non-GAAP measures are not prescribed by IFRS and do not have standardized meanings or methods of calculation and therefore, such measures may not be comparable to similar measures presented by other companies.

Adjusted Funds Flow

As an indicator of the Company's performance, the term *adjusted funds flow* contained within the MD&A should not be considered as an alternative to, or more meaningful than, cash provided from operating, financing or investing activities, as determined in accordance with IFRS. *Adjusted funds flow* is widely accepted as a financial indicator of an exploration and production company's ability to generate cash which is used to internally fund exploration and development capital activities and to service debt. This measure is widely used by shareholders and investors in the valuation, comparison and investment recommendations of companies within the upstream oil and gas exploration and production industry.

Adjusted funds flow, as disclosed within this MD&A, represents cash provided from operating activities before: decommissioning obligation cash expenditures and changes in non-cash working capital from operating activities. The Company presents cash provided from operating activities per share and *adjusted funds flow* per share whereby per share amounts are calculated consistent with the calculation of net income per share.

The following table reconciles IBR's cash provided from operating activities to *adjusted funds flow*:

($000s)	Q218	Q217
Cash provided from operating activities	**(1,475)**	1,669
Change in non-cash working capital from operating activities	**2,687**	1,134
Decommissioning obligation expenditures	**5**	-
Adjusted funds flow	**1,217**	2,803

Net Operating Expenses

Net operating expenses are calculated as operating expenses less the component of other income pertaining to gathering, compression, road use and other income. This metric is expressed on a total and per boe basis. Management uses this metric to determine the net cash cost related to operating expenses and to provide supplemental information to analyze operating performance.

Net Transportation Expenses

Net transportation expenses are calculated as transportation expenses less the component of other income pertaining to transportation income. This metric is expressed on a total and per boe basis. Management uses this metric to determine the net cash cost related to transportation expenses and to provide supplemental information to analyze operating performance.

Operating Netback

Operating netback refers to realized revenue (including realized gains or losses on commodity risk management contracts) less royalties, *net operating expenses* and *net transportation expenses* on a total and per boe basis. The Company believes this financial netback measure is useful supplemental information to analyze operating performance and to provide an indication of the results generated by the Company's principal business activities.

Total Net Debt-to-Annualized Adjusted Funds Flow

The Company monitors its capital structure based on a non-IFRS financial metric consisting of the ratio of *total net debt*-to-annualized *adjusted funds flow*. *Total net debt* and/or *net debt* as disclosed within the MD&A, represents outstanding bank debt plus working capital deficiency (or minus working capital surplus) excluding unrealized amounts pertaining to risk management contracts.

Abbreviations

The following are abbreviations that are contained within this MD&A commentary:

Crude Oil and Natural Gas Liquids		**Natural Gas**	
Bbl	barrel	Mcf	thousand cubic feet
boe	barrels of oil equivalent	Mcf/d	thousand cubic feet per day
Mboe	thousand barrels of oil equivalent	MMcf/d	million cubic feet per day
Bbls/d	barrels per day	MMbtu	million British Thermal Units
boe/d	barrels of oil equivalent per day	GJ	gigajoule
NGLs	natural gas liquids	GJs/d	gigajoules per day

Business Risks and Uncertainties

The Company's exploration and development activities are focused at Gold Creek in West Central Alberta within the Western Canadian Sedimentary Basin, which is characterized as being highly competitive with competitors varying in size from small junior producers to significantly larger, fully-integrated energy companies possessing greater financial and personnel resources. In the normal course of business, IBR is exposed to a variety of business risks and uncertainties that can have an effect on its financial condition.

The Company recognizes certain risks inherent in the oil and gas industry, such as access to oil and gas services, weather-related delays with drilling and operational plans, finding and developing crude oil and natural gas reserves at economic costs, drilling risks, producing crude oil and natural gas in commercial quantities, environmental and safety risks, and commodity price and political risks and uncertainties. IBR has engaged professional senior management and seasoned technical personnel, possessing many years of experience in the oil and gas business and intellectual capacity, to address, prudently manage and mitigate these risks. Please see the Company's website to reference the backgrounds and qualifications of IBR's senior leadership team, which can be sourced at www.ironbridgeres.com.