

**International Frontier
Resources Corporation
Interim Financial Statements**

Unaudited
June 30, 2003

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International Frontier Resources Corporation

Interim Statements of Loss and Deficit

Unaudited

	Three Months ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenue				
Interest	\$ <u>1,995</u>	\$ <u>1,716</u>	\$ <u>3,776</u>	\$ <u>7,349</u>
	<u>1,995</u>	<u>1,716</u>	<u>3,776</u>	<u>7,349</u>
Expenses				
Depreciation	595	1,024	1,144	2,048
General and administration	18,254	29,461	36,637	46,786
Interest and bank charges	393	271	8,396	294
Professional fees	<u>34,337</u>	<u>2,270</u>	<u>37,737</u>	<u>27,860</u>
	<u>53,579</u>	<u>33,026</u>	<u>83,914</u>	<u>76,988</u>
Loss before income taxes	(51,584)	(31,310)	(80,138)	(69,639)
Income taxes (recovery)	<u>(8,397)</u>	<u>(21,480)</u>	<u>(20,372)</u>	<u>(32,557)</u>
Net loss	<u>\$ (43,187)</u>	<u>\$ (9,830)</u>	<u>\$ (59,766)</u>	<u>\$ (37,082)</u>
Loss per share				
Basic	<u>\$ (0.005)</u>	<u>\$ (0.002)</u>	<u>\$ (0.007)</u>	<u>\$ (0.006)</u>
Diluted	<u>\$ (0.005)</u>	<u>\$ (0.002)</u>	<u>\$ (0.007)</u>	<u>\$ (0.006)</u>
<hr/>				
Deficit, beginning of period			\$ (276,340)	\$ (105,639)
Net loss			<u>(59,766)</u>	<u>(37,082)</u>
Deficit, end of period			<u>\$ (336,106)</u>	<u>\$ (142,721)</u>

See accompanying notes to the interim financial statements.

International Frontier Resources Corporation

Interim Balance Sheet

Unaudited

	June 30, 2003	December 31 2002
Assets		
Current		
Cash and temporary investments	\$ 144,810	\$ 50,411
Receivables	13,056	14,929
Prepays	<u>6,199</u>	<u>6,199</u>
	164,065	71,539
Restricted cash	292,426	292,426
Property and equipment Investment	<u>1,916,813</u> <u>3,675</u>	<u>1,862,458</u> <u>3,675</u>
	<u>\$ 2,376,979</u>	<u>\$ 2,230,098</u>

Liabilities

Current		
Payables and accruals	\$ 131,049	\$ 133,867
Future income taxes	129,042	149,414
Convertible debentures	<u>364,823</u>	<u>364,823</u>
	<u>624,914</u>	<u>648,104</u>

Shareholders' Equity

Share capital (Note 3)	2,052,994	1,823,159
Equity component of convertible debentures	35,177	35,177
Deficit	<u>(336,106)</u>	<u>(276,342)</u>
	<u>1,752,065</u>	<u>1,581,994</u>
	<u>\$ 2,376,979</u>	<u>\$ 2,230,098</u>

On behalf of the Board

(Signed) "Patrick Boswell" _____ Director **(Signed) "Thomas Berg"** _____ Director

See accompanying notes to the interim financial statements.

International Frontier Resources Corporation

Interim Statements of Cash Flows

	Three Months ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Increase (decrease) in cash and cash equivalents				
Operating				
Net loss	\$ (43,187)	\$ (9,830)	\$ (59,766)	\$ (37,082)
Depreciation	595	1,024	1,144	2,048
Income tax (recovery)	<u>(8,397)</u>	<u>(21,480)</u>	<u>(20,372)</u>	<u>(32,557)</u>
Cash flow from operating activities	(50,989)	(30,286)	(78,994)	(67,591)
Change in non-cash operating working capital	<u>(6,953)</u>	<u>778</u>	<u>1,047</u>	<u>8,866</u>
	<u>(57,942)</u>	<u>(29,508)</u>	<u>(77,947)</u>	<u>(58,725)</u>
Investing				
Additions to petroleum and natural gas properties	(33,733)	(156,497)	(55,499)	(456,745)
Disposition to petroleum and natural gas properties	-	56,144	-	56,144
Purchase of investments	-	-	-	-
Change in non-cash investing working capital	<u>16,862</u>	<u>(250,673)</u>	<u>(1,990)</u>	<u>(108,801)</u>
	<u>(16,871)</u>	<u>(351,026)</u>	<u>(57,489)</u>	<u>(509,402)</u>
Financing				
Private placement	129,835	-	229,835	-
Convertible debentures	-	(25,000)	-	(25,000)
Deferred financing charge	8,500	-	-	-
Repayment of convertible debenture	-	-	-	-
Change in non-cash financing working capital	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>130,335</u>	<u>(25,000)</u>	<u>229,835</u>	<u>(25,000)</u>
Net decrease in cash and cash equivalents	55,522	(405,534)	94,399	(593,127)
Cash and cash equivalents, Beginning of period	<u>381,714</u>	<u>812,599</u>	<u>342,837</u>	<u>1,000,192</u>
End of period	<u>\$ 437,236</u>	<u>\$ 407,065</u>	<u>\$ 437,236</u>	<u>\$ 407,065</u>
Cash and cash equivalents is represented by:				
Cash and temporary investments			\$ 144,810	\$ 151,726
Restricted cash			<u>292,426</u>	<u>255,339</u>
			<u>\$ 437,236</u>	<u>\$ 407,065</u>
Cash flow from operations per share				
Basic	<u>\$ (0.006)</u>	<u>\$ (0.005)</u>	<u>\$ (0.009)</u>	<u>\$ (0.010)</u>
Diluted	<u>\$ (0.006)</u>	<u>\$ (0.005)</u>	<u>\$ (0.009)</u>	<u>\$ (0.010)</u>

See accompanying notes to the interim financial statements.

International Frontier Resources Corporation

Notes to the Interim Financial Statements

Unaudited
June 30, 2003

1. Basis of presentation

The financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. Certain information and disclosure normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2002. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2002, except as discussed below.

2. Initial adoption of accounting policy

Deferred financing charges

The deferred charges accounted for during the prior period related to costs associated with financing efforts have been allocated to the cost of the offering as the financing activity was successful.

3. Share capital

a) Authorized

Unlimited common shares
Unlimited preferred shares

b) Issued

	<u>June 30, 2003</u>		<u>December 31, 2002</u>	
	<u>Number of</u> <u>Shares</u>	<u>Amount</u>	<u>Number of</u> <u>Shares</u>	<u>Amount</u>
Common shares				
Beginning and end of period	7,359,335	\$ 1,823,159	6,526,002	\$ 1,823,159
Issued in the period	<u>1,166,667</u>	<u>\$ 140,000</u>	-	-
End of period	<u>8,526,002</u>	<u>\$ 1,963,159</u>	<u>6,526,002</u>	<u>\$ 1,823,159</u>

During the period the remaining 166,667 common shares of the 1,000,000 common share private placement of February 11, 2003 were issued. During the period the Company closed the March 11, 2003 private placement and issued 1,000,000 common shares at \$0.12 per share.

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3. Share capital (Continued)

c) Stock options

The Company has a stock option plan available to officers, directors, employees of the Company, and to key consultants. On March 14, 2003, 851,998 options previously granted with exercise prices ranging between \$0.25 and \$0.49 were cancelled. On April 10, 2003 approval was granted by the TSX Venture Exchange for the issuance of 850,000 stock options. As at June 30, 2003 850,000 options with an exercise price of \$0.25 were outstanding and exercisable up to March 14, 2008.

Outstanding and exercisable

	<u>June 30, 2003</u>		<u>December 31, 2002</u>	
	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Beginning of period	-	\$ -	651,998	\$ 0.49
Granted	850,000	\$ 0.25	-	\$ -
Cancelled	-	\$ -	-	\$ -
End of period	<u>850,000</u>	<u>\$ 0.25</u>	<u>651,998</u>	<u>\$ 0.49</u>

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Notes to the Interim Financial Statements

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c) Stock options - continued

CICA Handbook Section 3870 "Stock-based Compensation", establishes financial accounting and reporting standards for stock-based employee compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. The Company has elected to follow the intrinsic value method of accounting for stock-based compensation arrangements. Since all options were granted with an exercise price equal to the market price at the date of the grant, no compensation cost has been charged to earnings at the time of the option grants. Had compensation cost for the Company's stock options been determined based on the fair market value at the grant dates of the awards consistent with methodology prescribed by Handbook Section 3870, the Company's net earnings and net earnings per share for the period ended June 30, 2003 and June 30, 2002 would have been the pro forma amounts indicated below:

	June 30, 2003	June 30, 2002
Net loss		
As reported	\$ (59,766)	\$(32,557)
Pro forma	\$(246,781)	\$(32,557)
Net loss per common share – basic:		
As reported	\$(0.007)	\$(0.006)
Pro forma	\$(0.029)	\$(0.006)
Net earnings per common share – diluted:		
As reported	\$(0.007)	\$(0.006)
Pro forma	\$(0.029)	\$(0.006)

The weighted average fair market value of options granted in the period ended June 30, 2003 are \$0.22 (2002-Nil). The fair value of each option granted was estimated on the date of grant using the Modified Black-Sholes option pricing model with the following assumptions

	2003	2002
Risk-free interest rate	4.37%	Nil
Estimated hold period prior to exercise (years)	5	Nil
Volatility in price of the Company's shares	134.0%	Nil

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d) Warrants

As of June 11, 2003 the Company acquired 100% of Sidox Chemicals Canada Ltd. shares from Devon Investments ltd. The consideration paid for the purchase of all of the issued and outstanding shares of Sidox Canada is the issuance of 2,000,000 non transferable warrants, the warrants entitle Devon to acquire 2,000,000 shares of International Frontier at \$0.25 for two years and \$0.35 in the third year from the date of closing. The warrants can only be exercised if Sidox Canada acquires a ten year Exclusive License for SIDOX and if wells in which the Company holds an interest that have been treated with SIDOX achieve a minimum 25% BOPD increase for a period of 100 days. The purchase of Sidox Canada is a non arm's length transaction as defined by TSXV Exchange policy 1.1 as the shares of Devon are controlled by Pat Boswell, President of the Company.

4. Per share amounts

The weighted average number of common shares outstanding during the period, calculated under the treasury stock method, used in computing basic loss per share was 8,526,002 (2002 – 6,526,002). In computing diluted loss per share, NIL shares were added to the weighted average number of common shares outstanding during the period June 30, 2003 (2002 – Nil shares) for the dilutive effect of employee stock options, warrants and convertible debentures. No adjustments were required to the reported loss in computing diluted per share amounts.

5. Supplemental cash flow information

Cash and cash equivalents is represented by:

	June 30, <u>2003</u>	December 31 <u>2002</u>
Cash and temporary investments	\$ 144,810	\$ 50,411
Restricted cash	<u>292,426</u>	<u>292,837</u>
	<u>\$ 437,236</u>	<u>\$ 342,837</u>
Interest paid	\$ 8,000	\$ -

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6. Subsequent events

- a) The Company negotiated a private placement of 1,500,000 units at a price of \$0.18 per unit. A unit consists of one common share and one warrant. One warrant entitles the holder to acquire one additional common share at a price of \$0.24 per share for a period of 180 days from closing. The non-brokered private placement was conditionally approved by the TSX Venture Exchange on July 11, 2003.
- b) The Company has been approved effective July 11, 2003 for the re-pricing of the Company's \$425,000 Convertible Debenture. The conversion price of the debenture has been amended to \$0.40 per share up to December 31, 2003 and at a price of \$0.45 per share up to the debentures maturity date of December 31, 2004. The previous conversion price per share was \$0.45 in 2003 and \$0.75 in 2004.