



International Frontier Resources Corporation

Consolidated Interim Financial Statements

March 31, 2007

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**International Frontier Resources Corporation**  
**Consolidated Financial Statements**  
**For the three month interim period ended**  
**March 31, 2007**

(unaudited – prepared by Management)

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National Instrument 51-102 Notice

The consolidated financial statements of International Frontier Resources Corporation (“the Company”) as at March 31, 2007 have been compiled by management.

These financial statements have not been reviewed or audited on behalf of the shareholders by the Company’s independent external auditors, Grant Thornton LLP.

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## International Frontier Resources Corporation

### Consolidated Balance Sheets

(unaudited – prepared by Management)

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 32,677,220	\$ 11,853,540
Receivables	388,400	456,190
Inventory	82,125	82,125
Prepays	<u>80,170</u>	<u>31,590</u>
	33,227,915	12,423,445
Restricted cash on deposit (Note 3)	1,538,125	1,538,125
Property and equipment (Note 4)	12,442,165	12,237,085
Intangibles (Note 5)	<u>37,500</u>	<u>40,000</u>
	<b>\$ <u>47,245,705</u></b>	<b>\$ <u>26,238,655</u></b>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 922,490	\$ 1,075,270
Asset retirement obligations (Note 6)	244,425	239,045
Future income taxes	1,552,360	1,655,510
Convertible debentures (Notes 8)	<u>62,650</u>	<u>62,650</u>
	<u>2,781,925</u>	<u>3,032,475</u>
<b>Shareholders' Equity</b>		
Share capital (Note 9b)	43,749,855	26,410,600
Warrants (Note 9e)	3,358,300	-
Contributed surplus (Note 9f)	5,450,385	4,474,570
Equity component of convertible debentures	2,350	2,350
Deficit	<u>(8,097,110)</u>	<u>(7,681,340)</u>
	<u>44,463,780</u>	<u>23,206,180</u>
	<b>\$ <u>47,245,705</u></b>	<b>\$ <u>26,238,655</u></b>

Commitments and contingencies (Note 11)

On behalf of the Board

**(Signed) “Wm. Patrick Boswell”** Director **(Signed) “W.J. McNaughton”** Director

See accompanying notes to the consolidated financial statements.

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## International Frontier Resources Corporation

### Consolidated Statements of Loss and Deficit

(unaudited – prepared by Management)

Three months ended March 31,	2007	2006
<b>Revenue</b>		
Oil and natural gas	\$ 160,525	\$ 200,705
Royalties	<u>(30,490)</u>	<u>(43,905)</u>
	130,035	156,800
Interest and other income	<u>514,580</u>	<u>83,505</u>
	<u>644,615</u>	<u>240,305</u>
<b>Expenses</b>		
Field operating costs	88,600	99,285
Depletion, depreciation and amortization	36,680	36,025
Accretion of asset retirement obligations (Note 6)	5,380	5,555
General and administration	237,755	133,525
Stock based compensation	792,850	194,680
Interest and bank charges	<u>2,270</u>	<u>4,960</u>
	<u>1,163,535</u>	<u>474,030</u>
Loss before income taxes	(518,920)	(233,725)
Future income tax recovery (Note 7)	<u>(103,150)</u>	<u>(16,275)</u>
Net loss	\$ <u>(415,770)</u>	\$ <u>(217,450)</u>
<b>Net loss per share</b>		
Basic and diluted	\$ <u>(0.009)</u>	\$ <u>(0.005)</u>
<hr/>		
Deficit, beginning of period	\$ (7,681,340)	\$ (6,451,695)
Net loss	<u>(415,770)</u>	<u>(217,450)</u>
Deficit, end of period	\$ <u>(8,097,110)</u>	\$ <u>(6,669,145)</u>

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See accompanying notes to the consolidated financial statements.

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## International Frontier Resources Corporation

### Consolidated Statements of Cash Flows

(unaudited – prepared by Management)

Three months ended March 31,

**2007**

**2006**

#### Operating

Net loss	\$ (415,770)	\$ (217,450)
Depletion, depreciation and amortization	36,680	36,025
Accretion of asset retirement obligations	5,380	5,555
Stock based compensation	792,850	194,680
Future income tax recovery	<u>(103,150)</u>	<u>(16,275)</u>
	315,990	2,535
Change in non-cash operating working capital (Note 13)	<u>(27,035)</u>	<u>545,725</u>
	<u>288,955</u>	<u>548,260</u>

#### Investing

Additions to property and equipment	(56,490)	(1,709,625)
Restricted cash on deposit	<u>-</u>	<u>(574,900)</u>
	(56,490)	(2,284,525)
Change in non-cash investing working capital (Note 13)	<u>(106,350)</u>	<u>(321,290)</u>
	<u>(162,840)</u>	<u>(2,605,815)</u>

#### Financing

Shares issued for cash	22,700,000	75,000
Share issue costs	<u>(2,002,440)</u>	<u>-</u>
	20,697,560	75,000
Change in non-cash financing working capital (Note 13)	<u>-</u>	<u>-</u>
	<u>20,697,560</u>	<u>75,000</u>

Net (decrease) increase in cash and cash equivalents 20,823,675 (1,982,555)

Cash and cash equivalents,  
Beginning of period 11,853,545 12,905,910

End of period \$ 32,677,220 \$ 10,923,355

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See accompanying notes to the consolidated financial statements.

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)

March 31, 2007

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### 1. Nature of operations

The Company, since inception, is engaged primarily in the exploration for and development of petroleum and natural gas reserves. These activities are conducted in two cost centers, being Canada and the United Kingdom.

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### 2. Summary of significant accounting policies

The consolidated financial statements include the accounts of the Company, its wholly owned United Kingdom subsidiary, Britcana Energy Ltd. and its 50% interest in Sidox Chemicals Canada Ltd. All inter-company transactions and balances are eliminated upon consolidation.

The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2006. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2006.

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### 3. Restricted cash on deposit

As at March 31, 2007, the Company has provided an assignment of cash totaling \$1,538,125 (2006 - \$1,538,125) as security on the irrevocable standby letter of credit against restricted cash on deposit on Northwest Territories Exploration Licenses (see Note 11) as follows:

	Three months ended <u>March 31, 2007</u>	Year ended <u>December 31, 2006</u>
EL - 423	310,000	310,000
EL - 429	781,250	781,250
EL - 432	250,000	250,000
EL - 441	<u>196,875</u>	<u>196,875</u>
	<b>\$ 1,538,125</b>	<b>\$ 1,538,125</b>

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)  
March 31, 2007

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#### 4. Property and equipment

<u>March 31, 2007</u>	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net Book Value</u>
Petroleum and natural gas properties	\$ 15,436,535	\$ 3,018,535	\$ 12,418,000
Office furniture and equipment	<u>82,480</u>	<u>58,315</u>	<u>24,165</u>
	<u>\$ 15,336,050</u>	<u>\$ 3,076,850</u>	<u>\$ 12,442,165</u>

<u>December 31, 2006</u>	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net Book Value</u>
Petroleum and natural gas properties	\$ 15,197,280	\$ 2,985,915	\$ 12,211,365
Office furniture and equipment	<u>82,480</u>	<u>56,760</u>	<u>25,720</u>
	<u>\$ 15,279,760</u>	<u>\$ 3,042,675</u>	<u>\$ 12,237,085</u>

The Company has financed a portion of its exploration and development activities from the proceeds of flow-through share issues. As a result, petroleum and natural gas properties with cost of \$10,462,310 (2006 - \$10,462,310) have no cost basis for income tax purposes. During the period, \$209,235 (2006 - \$135,230) of overhead expenses directly related to exploration and development activities in the Northwest Territories and \$30,220 (2006 - \$425,045) related to exploration and development and prospect generation in the North Sea were capitalized. Of these amounts, \$1,540 (2006 - \$6,175) related to interest expense capitalized for activities the Northwest Territories and \$Nil (2006 - \$Nil) related to the activities in the North Sea. Also during the period, \$Nil (2006 - \$Nil) of expenses incurred in conducting a pilot project to test the Sidox product were capitalized to petroleum and natural gas properties.

As at March 31, 2007, undeveloped properties in the Northwest Territories with a cost of \$10,460,495 (2006 - \$10,251,460) and undeveloped properties in the North Sea with a cost of \$1,135,485 (2006 - \$1,105,265) have been included in petroleum and natural gas properties but have not been included in the respective cost centers for purposes of calculating depletion.

As at March 31, 2007, \$Nil (2006 - \$1,000,620) impairment of petroleum and natural gas assets has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves. These amounts are included in depletion and depreciation on the consolidated statements of loss and deficit.

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)  
 March 31, 2007

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#### 5. Intangible assets

##### March 31, 2007

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
License	\$ <u>50,000</u>	\$ <u>12,500</u>	\$ <u>37,500</u>

##### December 31, 2006

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
License	\$ <u>50,000</u>	\$ <u>10,000</u>	\$ <u>40,000</u>

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#### 6. Asset retirement obligations

The Company's asset retirement obligations result from net ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is approximately \$472,500 (2006 - \$472,500). A credit-adjusted risk-free rate of 9% and inflation rate of 2% was used to calculate the fair value of the asset retirement obligations. A reconciliation of the asset retirement obligations is provided below:

	<u>Three months ended March 31, 2007</u>	<u>Year ended December 31, 2006</u>
Balance, beginning of period	\$ <b>239,045</b>	\$ 201,390
Liabilities incurred	-	22,055
Liabilities settled	-	(5,960)
Accretion expense	<u>5,380</u>	<u>21,560</u>
Balance, end of period	<u>\$ <b>244,425</b></u>	<u>\$ 239,045</u>

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)  
March 31, 2007

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#### 7. Income taxes

- a) The total provision for income taxes differs from the expected amount calculated by applying the combined federal and provincial tax rates of approximately 32.49% (2006 - 32.49%) to loss before income taxes. This difference results from the following items:

	Three months ended <u>March 31, 2007</u>	Year ended <u>December 31, 2006</u>
Loss before income taxes	\$ <u>(518,920)</u>	\$ <u>(2,013,115)</u>
Expected tax recovery at combined federal and provincial statutory rates	\$ (168,600)	\$ (676,410)
Increase (decrease) resulting from:		
Statutory rate change	-	(85,000)
Resource allowance	-	8,725
Stock-based compensation	257,600	524,985
Valuation allowance	(199,235)	88,330
Other	<u>7,085</u>	<u>(36,510)</u>
Future income tax recovery	\$ <u>(103,150)</u>	\$ <u>(175,880)</u>

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#### 8. Convertible debentures

At March 31, 2007, the fair value of the remaining \$65,000 of convertible debentures is approximately \$62,650. The debentures pay interest at a rate of 9.5% per year and the remainder of the convertible debentures are convertible into common shares at \$0.70 per share to June 2007 and \$0.75 per share to June 2008 at which time they expire.

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)  
 March 31, 2007

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#### 9. Share capital

- a) **Authorized:**  
     Unlimited common shares  
     Unlimited preferred shares

b) <b>Issued:</b>	<b>March 31, 2007</b>		December 31, 2006	
	<u>of Shares</u>	<u>Number Amount</u>	<u>of Shares</u>	<u>Number Amount</u>
<b>Common shares</b>				
Beginning of period	42,041,465	\$ 26,410,600	40,245,215	\$ 25,111,255
Issued for cash	12,400,000	15,500,000	-	-
Value attributed to warrants	-	(3,358,300)	-	-
Issued upon exercise of warrants	-	-	1,521,250	2,814,315
Issued upon exercise of options	-	-	275,000	399,625
Flow-through shares	4,800,000	7,200,000	-	-
Share issue costs	-	(2,002,445)	-	-
Balance, end of period	59,241,465	\$ 43,749,855	42,041,465	\$ 26,410,600

c) <b>Flow-through share information:</b>	<b>March 31, 2007</b>	December 31, 2006
Carried forward from prior year	\$ -	\$ 5,337,725
Amount of flow-through shares issued	7,200,000	-
Expenditures incurred	-	(5,337,725)
Remaining obligation	\$ 7,200,000	\$ -

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)

March 31, 2007

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#### 9. Share capital (Continued)

##### d) Stock options:

The Company has a stock option plan available to consultants, officers, directors, and employees of the Company. The exercise price of each option approximates the market price for the common shares on the date the option was granted. As at March 31, 2007, 4,155,000 common shares were reserved for issuance under the plan. Options granted under the plan vest upon granting and have a term of five years to expiry.

<u>Outstanding and exercisable</u>	<u>March 31,</u> <u>2007</u>		<u>December 31,</u> <u>2006</u>	
	<u>Number of</u> <u>Options</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Number of</u> <u>Options</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>
Balance, beginning of period	3,355,000	\$ 1.42	3,320,000	\$ 1.34
Granted	800,000	\$ 1.30	500,000	\$ 1.57
Expired	-	\$ -	(190,000)	\$ 1.37
Exercised	-	\$ -	(275,000)	\$ 0.64
Balance, end of period	<u>4,155,000</u>	<u>\$ 1.39</u>	<u>3,355,000</u>	<u>\$ 1.42</u>

<u>Expiry dates</u>	<u>March 31,</u> <u>2007</u>		<u>December 31,</u> <u>2006</u>	
	<u>Number of</u> <u>Options</u>	<u>Price</u>	<u>Number of</u> <u>Options</u>	<u>Price</u>
December 23, 2008	465,000	\$ 0.45	465,000	\$ 0.45
January 26, 2009	90,000	\$ 0.50	90,000	\$ 0.50
April 1, 2009	75,000	\$ 0.45	75,000	\$ 0.45
November 16, 2009	525,000	\$ 1.50	525,000	\$ 1.50
December 23, 2009	800,000	\$ 1.60	800,000	\$ 1.60
February 11, 2010	800,000	\$ 1.85	800,000	\$ 1.85
September 15, 2010	100,000	\$ 1.35	100,000	\$ 1.35
January 5, 2011	150,000	\$ 1.95	150,000	\$ 1.95
June 30, 2011	350,000	\$ 1.40	350,000	\$ 1.40
January 9, 2012	800,000	\$ 1.30	-	\$ 1.40
	<u>4,155,000</u>	<u>\$ 1.39</u>	<u>3,355,000</u>	<u>\$ 1.42</u>

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)

March 31, 2007

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#### 9. Share capital (Continued)

##### d) Stock options:

Exercise Price	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
\$0.45 - \$0.50	630,000	1.94	\$ 0.46	630,000	\$ 0.46
\$1.30 - \$1.95	<u>3,525,000</u>	<u>3.59</u>	<u>\$ 1.56</u>	<u>3,525,000</u>	<u>\$ 1.56</u>
	<u>4,155,000</u>	<u>3.34</u>	<u>\$ 1.39</u>	<u>4,155,000</u>	<u>\$ 1.39</u>

The weighted average fair market value of options granted in the period ended March 31, 2007 is \$1.22 per option (2006 - \$1.46 per option). The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Risk-free interest rate	3.96%	4.20%
Expected life of options	5	5
Volatility in price of the Company's shares	163.00%	151.00%
Dividend yield rate	0%	0%

##### e) Warrants:

Warrants outstanding are as follows:

	<u>March 31, 2007</u>		<u>December 31, 2006</u>	
	<u>Number of Warrants</u>	<u>Amount</u>	<u>Number of Warrants</u>	<u>Amount</u>
Balance, beginning of period	-	\$ -	1,637,500	\$ -
Issued in conjunction with Shares issued (i)	<b>7,504,000</b>	<b>3,358,300</b>		
Exercised (ii)	-	-	(1,521,250)	-
Expired (ii)	<u>-</u>	<u>-</u>	<u>(116,250)</u>	<u>-</u>
Balance, end of period	<u><b>7,504,000</b></u>	<u><b>\$ 3,358,300</b></u>	<u>-</u>	<u>\$ -</u>

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)

March 31, 2007

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#### 9. Share capital (Continued)

##### e) Warrants:

- (i) In conjunction with a bought deal financing on February 22, 2007 the Company issued 12,400,000 units at a price of \$1.25 per unit, for gross proceeds of \$15,500,000. Each unit is comprised of one common share and one-half warrant. One full warrant entitles the holder, on exercise to purchase one additional non-flow through share at a price of \$1.60 per share on or before February 22, 2008. Concurrently with the issuance of the units, the Company issued 1,204,000 underwriter warrants which entitle the holder, on exercise, to purchase one common share at a price of \$1.60 on or before February 22, 2008. In addition, the Company issued 100,000 Corporate Finance Units to the underwriter. Each unit consists of one common share and one warrant. One warrant entitles the holder to acquire one common share at a price of \$1.60 on or before February 22, 2008
- (ii) In conjunction with a non-brokered private placement occurring November 3, 2005 and closing on November 24, 2005, the Company issued 3,275,000 flow-through share units at \$1.70 per unit for total proceeds of \$5,567,500. Each unit consists of one common flow-through share and one-half warrant. At December 31, 2006, 1,521,250 warrants have been exercised and the remaining 116,250 warrants expired on May 24, 2006.

##### f) Contributed surplus:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Balance, beginning of period	\$ 4,474,570	\$ 3,928,115
Value attributed to stock options granted	975,815	729,830
Value of stock options exercised	<u>-</u>	<u>(183,375)</u>
Balance, end of period	\$ <u>5,450,385</u>	\$ <u>4,474,570</u>

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)

March 31, 2007

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#### 10. Related party transactions

During the period, the Company paid consulting fees to certain officers and directors as follows:

	Three months ended <u>March 31, 2007</u>	Year ended <u>December 31, 2006</u>
Consulting fees and salaries	\$ 24,500	\$ 282,500
Royalty expense	<u>-</u>	<u>12,690</u>
	<u>\$ 24,500</u>	<u>\$ 295,190</u>

At March 31, 2007, \$Nil (2006 – \$85,190) of the above amounts were included in payables and accruals.

In addition, during the period \$455 (2006 - \$43,600) was paid to a law firm in which a Director of the Company is a partner. Of this amount \$Nil is included in payables and accruals at March 31, 2007. These costs are included in general and administrative expenses on the consolidated statements of loss and deficit.

The above transactions have been recorded at the exchange amounts that were established and agreed upon by the related parties.

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#### 11. Commitments and contingencies

- a) The Company has lodged a letter of credit in the amount of \$310,000 for its share of a \$6,200,000 refundable deposit on NWT Exploration License No. 423. The letter of credit is secured by an assignment of cash of \$310,000. The Company is contingently liable under the letter of credit for its proportional share (5%) of any portion of a \$24,800,000 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-423.
  - b) The Company has lodged a letter of credit in the amount of \$781,250 for its share of a \$3,125,000 refundable deposit on NWT Exploration License No. 429. The letter of credit is secured by an assignment of cash of \$781,250. The Company is contingently liable under the letter of credit for its proportional share (25%) of any portion of a \$12,500,000 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-429.
  - c) The Company has lodged a letter of credit in the amount of \$250,000 for its share of a \$1,000,000 refundable deposit on NWT Exploration License No. 432. The letter of credit is secured by an assignment of cash of \$250,000. The Company is contingently liable under the letter of credit for its proportional share (25%) of any portion of a \$4,000,000 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-432.
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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)

March 31, 2007

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#### 11. Commitments and contingencies (Continued)

- d) The Company has lodged a letter of credit in the amount of \$196,875 for its share of a \$10,500,000 refundable deposit on NWT Exploration License No. 441. The letter of credit is secured by an assignment of cash of \$196,875. The Company is contingently liable under the letter of credit for its proportional share (7.5%) of any portion of a \$787,500 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-441.
- e) The Company is party to an agreement to lease its premises until December 31, 2011. The annual rent of premises consists of a minimum rent plus occupancy costs. Minimum rent payable for premises until the end of the lease are as follows:

2007	\$	64,926
2008	\$	86,568
2009	\$	86,568
2010	\$	86,568
2011	\$	86,568

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#### 12. Financial Instruments

As disclosed in Note 2, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to fair value, foreign currency and industry credit risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

- a) **Commodity price risk**  
The Company will be subject to commodity price risk for the delivery of natural gas and crude oil.
- b) **Credit risk**  
Substantially all of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks.
- c) **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 holds cash and cash equivalents on hand that are denominated in United States currency and is exposed to foreign currency fluctuations on its operations in the United Kingdom as these are denominated in British pounds. At December 31, 2006, there were no contracts in place to fix the exchange rates on these transactions.
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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

(unaudited – prepared by Management)

March 31, 2007

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#### 13. Supplemental cash flow information

Changes in non-cash working capital items increase (decrease) cash as follows:

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Receivables	\$ 67,790	\$ (1,752,995)
Prepays	(48,580)	(120,140)
Payables and accruals	<u>(152,595)</u>	<u>73,620</u>
	<u>\$ (133,385)</u>	<u>\$ (1,799,515)</u>
Operating activities	\$ (27,035)	\$ (1,090,090)
Investing activities	(106,350)	(656,295)
Financing activities	<u>-</u>	<u>(53,130)</u>
	<u>\$ (133,385)</u>	<u>\$ (1,799,515)</u>
Interest paid	<u>\$ 1,540</u>	<u>\$ 17,360</u>

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#### 14. Segmented information

The Company's activities are conducted in two geographic segments: Canada and the United Kingdom. All activities relate to exploration for and development of petroleum and natural gas.

##### March 31, 2007

	<u>Canada</u>	<u>U.K.</u>	<u>Total</u>
Oil and gas revenues, net	\$ 130,035	\$ -	\$ 130,035
Interest and other income	<u>514,580</u>	<u>-</u>	<u>514,580</u>
Total revenues, net	<u>644,615</u>	<u>-</u>	<u>644,615</u>
Capital expenditures	\$ <u>209,235</u>	\$ <u>30,220</u>	\$ <u>239,455</u>
Property and equipment	\$ <u>11,306,680</u>	\$ <u>1,135,485</u>	\$ <u>12,442,165</u>

##### December 31, 2006

	<u>Canada</u>	<u>U.K.</u>	<u>Total</u>
Oil and gas revenues, net	\$ 746,365	\$ -	\$ 746,365
Interest and other income	<u>621,595</u>	<u>-</u>	<u>621,595</u>
Total revenues, net	<u>1,367,960</u>	<u>-</u>	<u>1,367,960</u>
Capital expenditures	\$ <u>5,504,000</u>	\$ <u>929,410</u>	\$ <u>6,433,410</u>
Property and equipment	\$ <u>11,131,820</u>	\$ <u>1,105,265</u>	\$ <u>12,237,085</u>

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## **Overview**

International Frontier Resources Corporation is engaged in the exploration for and development of petroleum and natural gas reserves in the frontier regions of the Northwest Territories, Canada and the UK sector of the North Sea. The following is management's discussion and analysis ("MD&A") of International Frontier Resources Corporation's ("International Frontier" or "IFR" or "Britcana" or the "Company") operating and financial results for the period ended March 31, 2007, as well as information concerning the Company's future outlook based on currently available information. This MD&A should be read in conjunction with the Company's December 31, 2006 audited consolidated financial statements and related notes and the Company's 51-101 report filed on Sedar. This MD&A includes subsequent events to May 28<sup>th</sup>, 2007.

## **Operations Review**

A summary for the period ending March 31, 2007 and subsequent events to May 28<sup>th</sup>, 2007 is as follows;

### **North Sea - UKCS**

#### ***Laurel Valley (Quad 14)***

The first well drilled on the Laurel Valley prospect located in Quad 14 was plugged and abandoned on April 9, 2007. The Company was carried for a 10.45% interest in the 14/28a-5 well therefore no costs were incurred. Well results are being incorporated into geological and geophysical models to evaluate the remaining prospectively of blocks 14/28a, 14/29b and 14/23b.

#### ***Bowmore Prospects (Quad 15)***

Britcana Energy Ltd. 10% (a wholly owned UK subsidiary), Nippon Oil Exploration and Production UK Limited (operator – 30%), Hunt Petroleum UK Limited (30%) and Stratic Energy (UK) Limited (30%) were awarded blocks 15/23c, 15/24a (split), 15/28a and 15/29e at the 24<sup>th</sup> Seaward Licensing Round announced on February 1, 2007. The blocks are located in the Outer Moray Firth area in the UK sector of the North Sea.

The blocks, which are located in a highly prolific area to the east of the Brenda and Balmoral oil fields and to the north of the Britannia gas field, have been awarded with an initial four-year work program comprising two firm wells and two contingent wells. Multiple prospects and leads have been identified at a number of stratigraphic levels. A Jurassic gas condensate discovery, Bowmore, drilled in 1990, is located on the awarded acreage along with a number of Paleocene prospects and a deep play concept to the north of the Britannia gas field.

#### ***Lytham St. Anne's Prospect (Quad 41/42)***

Britcana acquired a 6.25% interest in block 41/10b at the 24<sup>th</sup> Licensing round, the block is adjacent to existing lands under licenses covering the Lytham and St. Anne's gas prospects. The operator, Lundin Petroleum AB, has contracted the Global Sante Fe Galaxy 11 jack-up rig to drill the Lytham prospect in the second-half 2007. Britcana will pay 5% of the drilling costs to retain a 6.25% interest in the Quad 41/42 acreage.

#### ***Ridgewood Prospect (Block 12/17b)***

Two farmin option agreements were exercised in the reporting period, as a results Britcana will now pay 15% of drilling costs to retain a 25% interest in block 12/17b. The operator, Lundin Petroleum AB, has contracted the Global Sante Fe Galaxy 11 jack-up to drill the Ridgewood prospect in the second-half 2007.



### ***Prospect Generation Agreement - UKCS***

Britcana has agreed to participate for a 15% interest in a prospect generation agreement entered into with Lundin Britain Limited (50% - operator), Norwegian Energy Company AS (25%) and Silverstone Energy Ltd. (10%) and Exploration Geosciences Limited as prospect generators. The agreement covers the acquisition of 2D and 3D seismic that will be used to generate prospects for the upcoming 25<sup>th</sup> Licensing Round as well as evaluating Fallow Discoveries in the UK sector of the North Sea.

### **Central Mackenzie Valley – Northwest Territories, Canada**

#### ***Summit – Keele Project Area***

**EL-423** – The operator, Husky Oil Operations Limited, sent out an operations notice for the drilling of a 2,450 meter exploration well (North Haywood B-20 location). The B-20 well is targeting prospective resources in both the Devonian and Silurian, the well will test a large structure identified on proprietary 2D seismic. Drilling of the well will extend EL-423 for a second term of four-years. The Company agreed to participate for its 5% share of drilling costs and also elected to increase its interest to 11.50% should an additional 6.50% interest become available. The well is scheduled to commence drilling in January 2008.

The operator proposed a second well be drilled in Q1, 2008 on EL-423. IFR voted in favor of this motion but unfortunately two partners holding greater than 60% voted down this motion.

**EL-443** – On May 10th, 2007 IFR (25%) and Husky Oil Operations Limited (75%) were awarded EL-43 for a work commitment of \$4.8 million. The new license adjoins EL-423 (south & west) encompassing an area of 231,435 gross acres. In Q3/06 a proprietary aeromag gravity survey was shot over the license area, this data, coupled with 2D seismic has identified three prospects leads.

**EL-441 + Sah Cho L-71 + Stewart D-57** – The operator proposed a helicopter supported cased hole testing program be conducted on the Sah Cho L-71 and Stewart D-57 wells this summer. The objective of the program was to test prospective gas bearing sands in the Cretaceous in the two wells. In addition the operator proposed shooting 40 kilometers of 2D seismic in the Tate prospect area located within EL-441. IFR voted in favor of all three motions unfortunately two partners holding greater than 60% voted against the motion.

#### ***Colville Hills, NWT***

**EL-445** – On May 10th, 2007 IFR (25%) and B.G. International Limited (75%) were awarded EL-445 for a work commitment of \$1.1 million. The license adjoins EL-429 a license jointly held with B.G., with the addition of this license IFR and B.G. now hold three licenses in the Colville Hills area covering an area of 570,000 acres.

**EL-429** – A 200 kilometer 2D seismic survey will commence in Q3, 2007, the program is expected to cost approximately \$12 million of which the Company's share is approximately \$3 million.

### **Liquidity, capital resources and financing activities**

Cash and cash equivalents at March 31, 2007 were \$32,677,220. At March 31, 2007, the Company had working capital of \$32,305,425 (December 31, 2006 - \$11,348,175). The increase in working capital at March 31, 2007 as compared to December 31, 2006 is due to funds raised as a result of financing completed in February 2007.

At May 28, 2007, the Company's working capital was \$31.4 million. The Company has sufficient working capital to meet all of its existing commitments and has the ability to raise capital to meet its ongoing obligations in the future.



## Summary of First Quarter Results

The following table summarizes results for the three months ended March 31, 2007, 2006 and 2005.

<b>Three months ended March 31,</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Sales volumes – BOE/day	36	51	47
Oil Revenues, net of royalties	\$ 130,035	\$ 156,801	\$ 128,743
Interest and other income	514,580	83,504	57,652
Net loss	\$ (415,770)	\$ (210,859)	\$ (1,447,315)
Net loss per share - basic	\$ (0.009)	\$ (0.005)	\$ (0.04)
- diluted	\$ (0.009)	\$ (0.005)	\$ (0.04)
Total assets	\$ 47,245,705	\$ 23,440,488	\$ 17,715,050
Working capital	\$ 32,305,425	\$ 12,555,475	\$ 12,165,400

### **Sales volumes**

Sales volumes for the first quarter of 2007 were 36 BOE per day, a decrease of 15 BOE per day or 29% as compared with the 51 BOE per day in the first quarter of 2006. Sales volumes in the first quarter of 2007 also decreased 6 BOE per day as compared to the fourth quarter of 2006 at 42 BOE per day. Decline in sales volumes in the first quarter of 2007 is due to one well being shut-in at Alderson coupled with projected decline rates.

### **Gross revenues and royalties**

For the three month period ending March 31, 2007 the Company received gross oil and gas revenues of \$160,525 (2006 - \$200,705), a decrease of 20%. For the same period the Company also paid royalties of \$30,490 (2005 - \$ 43,905) a decrease of 30%. Decrease in net oil revenues in the first quarter of 2007 is a result of decreased production for the period mitigated by as an increase of 13% in average price per BOE received in the first quarter of 2007 at \$49.67 per BOE as compared to the first quarter of 2006 at \$43.80 per BOE. Net oil revenues of \$130,035 for the three months ended March 31, 2007 decreased by \$21,580 as compared to the three months ended December 31, 2006 due to decreased volumes in the first quarter of 2007 as discussed above.

### **Field operating costs**

During the three months ended March 31, 2007 the Company incurred operating expenses of \$88,600 (2006 - \$ 99,285). Operating costs per BOE increased from \$21.70 for the three months ended March 31, 2006 to \$27.40 per BOE for the three months ended March 31, 2007, an increase of 26%. Operating expenses for the three months ended December 31, 2006 were \$100,180 or \$25.70 BOE, an increase of 7% as compared to the first quarter of 2007. Increased costs per BOE in the first quarter of 2007 are mainly due to declining production in first quarter of 2007.

### **Interest and other income**

The Company generated interest income from short term investments of \$514,580 (2005 - \$83,505) for the period ended March 31, 2007. The increase in interest income in the first quarter of 2007 as compared to 2006 is due to interest earned on investment of funds raised through financing activities during the first quarter of 2007 resulting in a larger cash balance at March 31, 2007 coupled with an increase in interest rate received on investments at March 31, 2007. At March 31, 2007, interest and other income also includes a foreign exchange gain of \$4,440 (2006 - \$Nil) which was incurred during the period to facilitate North Sea operations.



## Summary of First Quarter Results (continued)

### *Depletion and depreciation*

Depletion and depreciation on oil and gas properties of \$36,680 or \$11.35 per BOE in the first quarter of 2007 as compared to \$36,025 or \$7.86 for the three months ended March 31, 2006 is consistent. Depletion and depreciation per BOE increased 44.35% in the first quarter of 2007 to \$11.35 per BOE as compared to \$7.86 per BOE for the period ended March 31, 2006 this increase is due to decreased production for the three months ended March 31, 2007 as compared to the same period in 2006.

At March 31, 2007 an impairment test was performed which calculates the amount by which the carrying amount of capitalized costs related to producing properties exceeded fair value of the reserves as estimated by the Company's reservoir engineers at December 31, 2006. There was no impairment loss recognized for the three months ended March 31, 2007.

The carrying value of properties in the exploration stage in the Northwest Territories of \$10,460,495 (2006 – \$10,251,460) and in the North Sea of \$1,135,485 (2006 – \$1,105,000) have been excluded from the depletion calculation at March 31, 2007. These properties were evaluated at March 31, 2007 and it was determined that no additional costs were required to be included in the carrying amount of capitalized costs for purposes of calculating depletion and impairment as discussed above.

### *Accretion of asset retirement obligation*

The accretion of asset retirement obligations remained relatively constant in the first quarter of 2007 at \$5,380 as compared to \$5,555 in the same quarter in 2006.

### *General and administrative expenses*

<b>Three months ended March 31,</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Investor relations	\$ 57,360	\$ 1,585	\$ 2,995
Filing and transfer fees	14,660	19,130	11,345
Professional fees	23,265	19,790	22,320
Consulting fees and salaries - gross	100,850	73,200	71,660
Consulting fees and salaries - capitalized	(33,750)	(20,550)	(38,500)
Rent and office costs	75,370	40,370	35,050
	<b>\$ 237,755</b>	<b>\$ 133,525</b>	<b>\$ 104,870</b>

General and administrative expenses were \$237,755 for the first quarter of 2007 up \$104,230 or 78% compared with \$133,525 in 2006. This increase is primarily a result investor relations costs and professional fees incurred relating to a share offering in February, 2007. In addition, there was a general increase in office costs and salaries for the three months ended March 31, 2007.

### *Stock based compensation*

Stock based compensation costs of \$975,815 were calculated using the Black Scholes model for options issued in the first quarter of 2007. Of this amount \$182,965 (2006 - \$Nil) was capitalized to property and equipment at March 31, 2007. Increase in stock based compensation costs in the first quarter of 2007 as compared to the same period in 2006 is due to an increased number of options issued to officers, directors, employees and consultants in 2007.



## **Summary of First Quarter Results (continued)**

### ***Net Loss***

For the three month period ended March 31, 2007, the Company had a net loss of \$415,770 or \$0.009 per share as compared with a net loss of \$217,450 or \$0.005 per share in first quarter of 2006. The Company's net loss is affected by items which are non-operational in nature. For the quarter ending March 31, 2007 these non-cash items included depletion and depreciation and accretion expense of \$42,060 (2006 – \$41,580) stock based compensation expense of \$792,850 (2006 – \$194,680) and a future income tax recovery of \$103,150 (2006 – \$16,275) resulting in an adjusted net income from operations at March 31, 2007 of \$315,990 as compared to a net income from operations of \$2,535 for the three months ended March 31, 2006.

### **Financial Instruments**

International Frontier does not have any commodity or financial instrument hedges. The Company carries various forms of financial instruments, all of which are recognized in International Frontier's consolidated interim financial statements at March 31, 2007. Unless otherwise denoted in the March 31, 2007 consolidated interim financial statements it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the these financial instruments. The fair values of financial instruments approximate their carrying value. The Company has no unrecognized gains or losses in its financial statements.

### **Investing Activities**

Total capital expenditures for the period ended March 31, 2007 were \$209,040 (2006 – \$1,709,000) of which \$209,235 or 85% (2006 – 90%) related to exploration activities in the Central Mackenzie Valley, NWT and \$30,220 or 15% (2005 – 6%) related to exploration activities in the U.K. North Sea. Operations in these areas are expensive and of a high risk nature that could create conditions that could alter the plans of the Company and its partners. Further, should commercial quantities of petroleum and natural gas be proven to exist in the area, the timing of revenue generation is dependent on a variety of factors not within control of the Company.

### **Obligations**

Under the terms of the flow-through agreements undertaken in 2007, the Company has flow-through share spending obligations of \$7,200,000 at March 31, 2007. The Company had no debt at March 31, 2007. The Company has sufficient working capital and future cash flow to meet its flow through share obligations. The Company is party to an agreement to lease its premises until December 31, 2011. The annual rent of premises consists of a minimum rent plus occupancy costs. Minimum rent payable for premises until the end of the lease will be \$86,570 per year to the end of December 31, 2011.

### **Related Party Transactions**

Certain officers and directors provide professional, consulting and management services to the Company. The amounts paid to these officers and directors during the three months ended March 31, 2007 were \$24,500 (2006 – \$48,500). Of the total consulting fees paid to related parties during the period, \$6,950 (2006 – \$20,550) was capitalized to property and equipment at March 31, 2007.



## Other Items

### *Outstanding shares, options and warrants*

The Company's share capital structure is as follows:

<b>As of:</b>	<b>March 31, 2007</b>	<b>May 28, 2007</b>
Common shares outstanding	59,241,465	59,241,465
Warrants outstanding	7,504,000	7,504,000
Options outstanding	4,155,000	4,155,000
Convertible debentures	92,857	92,857
<b>Fully diluted</b>	<b>70,993,322</b>	<b>70,993,322</b>

Additional details on the shares, options and warrants outstanding at March 31, 2007 are available in the notes to the March 31, 2007 consolidated interim financial statements.

### *Critical Accounting Estimates*

Management is required to make judgments, assumptions and estimates in the application of Canadian generally accepted accounting principles that have a significant impact on the financial results of the Company.

Reserve estimates are a key component in the calculation of depletion, depreciation and accretion costs. A change in reserve quantity estimates will result in a corresponding change in DD&A costs. In addition, if capitalized costs are determined to be in excess of the calculated ceiling, which is based on reserve quantities and values, the excess must be written off as an expense.

Asset retirement costs are estimated, discounted and carried on the balance sheet as a liability. A change in estimated future asset restoration costs will change the liability on the balance sheet and the amortization of the asset retirement costs included in property and equipment.

## Summary of Quarterly Results

The quarterly results have been prepared without audit or review by the Company's independent external auditors. The following table summarized the Company's financial and operating highlights for the past eight quarters:

<b>Quarter ended</b>	<b>Mar. 31, 2007</b>	<b>Dec. 31, 2006</b>	<b>Sept. 30, 2006</b>	<b>June 30, 2006</b>
Sales volumes – Bbl/day	36	42	46	52
Revenues, net	130,035	133,490	209,990	246,080
Net income (loss)	(415,770)	(345,020)	(472,900)	(135,290)
Net loss per share – basic	(0.009)	(0.01)	(0.01)	(0.00)
– diluted	(0.009)	(0.01)	(0.01)	(0.00)
Total assets	47,245,705	26,238,655	25,928,020	26,402,100
Working capital	32,305,425	11,348,175	13,540,290	13,439,825
Restricted cash on deposit	1,538,125	1,538,125	1,538,125	1,596,700
Net cash generated (loss) from operations	315,990	(258,170)	287,250	97,650



## Summary of Quarterly Results (continued)

	<b>March 31 2006</b>	<b>Dec. 31, 2005</b>	<b>Sept. 30, 2005</b>	<b>June 30, 2005</b>
Sales volumes – BOE/day	50	45	52	56
Revenues, net	240,305	119,585	281,850	242,200
Net loss	(217,450)	(228,370)	(158,530)	(2,315)
Net loss per share – basic	(0.005)	(0.01)	(0.04)	(0.00)
– diluted	(0.005)	(0.01)	(0.04)	(0.00)
Total assets	23,440,490	23,536,000	17,796,340	17,802,250
Working capital	12,555,475	14,762,475	9,635,305	9,977,820
Restricted cash on deposit	2,016,225	1,441,325	1,382,750	1,382,750
Net cash generated (loss) from operations	2,535	(238,125)	27,990	27,990

## Disclosure Controls

As of March 31, 2007, the Company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures ('Disclosure Controls'), as defined under rules adopted by the Canadian Securities Administrators. The evaluation was performed under the supervision of, and with the participation of Chief Financial Officer/ Chief Executive Officer.

Disclosure Controls are procedures designed to ensure that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Corporation's management to allow timely decisions regarding disclosure.

The Company's management, including the CEO/CFO, does not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, no absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based on the evaluation of Disclosure Controls, the CEO/CFO has concluded that, subject to the inherent limitations noted above, the Company's disclosure controls are effective in ensuring that material information relating to the Company is made known to Management on a timely basis by others is included as appropriate in this MD&A.

## Internal Controls Over Financial Reporting (ICFR)

During the three months ended March 31, 2007, the Company designed and implemented internal controls over financial reporting. These internal controls are designed to provide reasonable assurance regarding the reliability of the Company's financial statements for external purposes in accordance with Canadian generally accepted accounting principles. These internal controls have not been evaluated for effectiveness.

Due to inherent limitations, the Company's system of internal control over financial reporting does not guarantee that a material misstatement in the financial statements or occurrence of fraud would be prevented or detected in a timely manner. Management considers the size and the nature of the Company's operations, and exercises judgment in designing appropriate and costs effective controls for the detections and preventions of material error in the financial statements or occurrence of fraud with a potential material impact on the reliability the financial statements.



## **Internal Controls Over Financial Reporting (ICFR)**

The Company has a lack of segregation of duties over the financial close and reporting functions due to limited staff. Management has concluded and the Company's board of directors has agreed that, taking into account the present stage of the Company's development and the best interest of its shareholders, the Company does not have the sufficient size and scale to warrant the hiring of additional staff to correct this weakness at this time. The Company has implemented compensating controls in the form of additional review of the financial close procedure by qualified Audit Committee members. The Company's officers and Audit Committee review the quarterly financial reports, and annual audits are conducted by the Company's independent auditors. The Company seeks third party expertise to review the more complex financial reporting items.

During the quarter ended March 31, 2007, there were no substantive changes in the nature of the Company's policies or procedures that have materially affected, or are reasonably likely to materially affect, the Company's system of internal control over financial reporting. The Company is continuing with its efforts in formalizing and documenting various elements of its system of internal control over financial reporting in preparation for the evaluation of the operating effectiveness of its internal controls system within the timeliness to be prescribed by the Canadian Securities Administrators.

## **Other information**

Additional information regarding International Frontier Corporation's reserves and other data is available on SEDAR at [www.sedar.com](http://www.sedar.com)