

**International Frontier Resources Corporation
Management's Discussion and Analysis
2007 Annual and Fourth Quarter Results**



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 year ended December 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, 2007 audited consolidated financial statements and related notes and the Company's 51-101 report filed on Sedar.

The MD&A and the annual consolidated financial statements and accompanying notes have been prepared by management and approved by the Audit Committee of the Board of Directors.

The quarterly financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors.

All financial measures presented in this Annual Report are expressed in Canadian dollars unless otherwise indicated.

Liquidity, capital resources and financing activities

At December 31, 2007 cash and cash equivalents were \$25,316,940 (2006 - \$11,853,540), and working capital was \$22,407,855 (2006 - \$11,348,175). The increase in working capital at December 31, 2007 as compared to 2006 is the result of funds raised in a non-brokered private placement completed in the first quarter of 2007. The Company does not have any exposure to asset backed securities

Annual Results

The following table summarizes results for the years 2007, 2006, and 2005.

	2007	2006	2005
Sales volumes – BOE/day (Canada)	38	48	50
Oil Revenues, net (Canada)	\$ 607,490	\$ 746,365	\$ 656,080
Interest income			
Canada	\$ 1,120,040	\$ 449,095	\$ 219,135
United Kingdom	34,935	-	-
Consolidated interest income	<u>\$ 1,154,975</u>	<u>\$ 449,095</u>	<u>\$ 219,135</u>
Net loss and comprehensive loss			
Canada	\$ (1,698,360)	\$ (1,202,775)	\$ (1,837,235)
United Kingdom	<u>(4,385,025)</u>	<u>(26,870)</u>	<u>-</u>
Consolidated net loss and comprehensive loss	<u>\$ (6,083,385)</u>	<u>\$ (1,229,645)</u>	<u>\$ (1,837,235)</u>
Net loss per share – basic and diluted	\$ (0.11)	\$ (0.03)	\$ (0.05)
Property and equipment			
Canada	\$ 15,391,060	\$ 11,131,820	\$ 6,822,780
United Kingdom	2,113,815	1,105,265	175,855
Consolidated property and equipment	<u>\$ 17,504,875</u>	<u>\$ 12,237,085</u>	<u>\$ 6,998,635</u>
Total assets	\$ 46,596,795	\$ 26,238,655	\$ 23,536,000
Working capital	\$ 22,407,855	\$ 11,348,175	\$ 14,762,475
Flow through share obligations	\$ 3,498,025	\$ -	\$ 5,337,725

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Annual Results (continued)

Sales volumes

Sales volumes for 2007 were 38 Bbl/day per day down 10 Bbl/day compared to 2006 and down 22 Bbl/day compared to 2005. The decrease in sales volumes in 2007 can be attributed to natural decline rates as forecasted in the Company's engineering report.

Gross revenues and royalties

Gross oil revenues in 2007 were \$787,020 a decrease of \$138,875 or 18% as compared to revenues in 2006 of \$965,370 (2005 - \$866,190). Decrease in revenues as compared to years ended December 31, 2006 and 2005 is due to decline in production mitigated by an increase in price in 2006 and 2007. Decrease in net oil revenues in 2007 of \$175,235 or 23% as compared to net oil revenues of \$746,365 in 2006 (2005 - \$656,080) is a result of decline in production mitigated by an increase in the average price received in 2006 of 2% from \$55.24 per Bbl for the year ended December 31, 2006 to \$56.20 per Bbl for the same period in 2007.

Gross overriding royalty costs were \$164,520 or 21% of gross revenues in 2007 as compared with \$200,880 or 21% of gross revenues in 2006 and \$180,340 or 21% of gross revenues in 2005. The decrease in royalties in 2007 of \$36,360 or 18% is due to a decrease in production received in during the year ended December 31, 2007 as compared to the same period in 2006.

For the period ending December 31, 2007 the Company paid royalties of \$15,010 (2006 - \$18,125 and 2005 - \$29,770) to certain officers, directors and consultants in accordance with the Company's Royalty Incentive Plan.

Field operating costs

During 2007 the Company incurred operating expenses of \$508,025, an increase of \$109,240 or 27% as compared to operating expenses incurred in year ended December 31, 2006 of \$398,785 (2005 - \$409,000). Operating costs per Bbl increased in 2007 by 59% averaging \$36.30 per Bbl as compared \$22.80 Bbl throughout 2006 (2005 - \$22.40 per Bbl). The increase in operating costs in 2007 is the result of further Sidox field testing coupled with natural production declines.

Interest income

In 2007 interest income from short term investments was \$1,120,040 compared to interest income in 2006 of \$449,100 and interest income in 2005 of \$219,135. The variance in annual interest income earned is a result of annual cash balances invested during the year. The Company does not have any exposure to asset backed securities. Interest income at December 31, 2007 also includes \$34,935 (2006 - \$Nil, 2005 - \$Nil) of interest earned from cash balances in the U.K.

Prospect Fees

At December 31, 2007 the Company earned prospect fees of \$194,755 (2006 - \$172,500, 2005 - \$Nil) related to prospect fees earned by the Company in the fourth quarter of 2007 and the third quarter of 2006 respectively.

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Annual Results (continued)

Depletion and depreciation

Depletion, depreciation and impairments at December 31, 2007 and 2006 consist of the following

December 31, 2007

Depletion, depreciation and impairments	Canada		U.K	Total
Depletion of natural gas properties	\$ 167,745	\$ -	\$ -	\$ 167,745
Impairment of natural gas properties	-	4,280,860	-	4,280,860
Amortization of Sidox license	5,000	-	-	5,000
Depreciation of equipment	5,670	-	-	5,670
	<u>\$ 178,415</u>	<u>\$ 4,280,860</u>	<u>\$ -</u>	<u>\$ 4,459,275</u>

December 31, 2006

Depletion, depreciation and impairments	Canada		U.K	Total
Depletion of natural gas properties	\$ 210,050	\$ -	\$ -	\$ 210,050
Impairment of natural gas properties	1,000,620	-	-	1,000,620
Amortization of Sidox license	5,000	-	-	5,000
Depreciation of equipment	6,340	-	-	6,340
	<u>\$ 1,222,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,222,010</u>

Depletion of petroleum and natural gas assets in Canada at December 31, 2007 decreased by \$42,305 or 20%. The depletion rate of \$12.00 per Bbl remained consistent in 2007 as compared to 2006. The decrease in depletion in 2007 can be attributed to the decline in production during 2007 coupled with increased future reserves as evaluated by reserve engineers at December 31, 2007.

In 2007 the carrying value of properties in the exploration stage in the Northwest Territories increased to \$13,805,330, from \$10,251,500 in 2006 and in the North Sea the book value of properties in the exploration stage increased to \$2,413,000 from \$1,105,000 in 2006. These amounts were excluded from the depletion calculation at December 31, 2007.

As at December 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 in Canada. In addition, at December 31, 2007 \$4,280,860 (2006 - \$Nil) relating to the cost of three dry holes was included as an impairment of petroleum and natural gas assets in the North Sea and were recorded as part of depletion.

Accretion of asset retirement obligation

The accretion of asset retirement obligations December 31, 2007 of \$16,775 decreased by \$4,785 or 22% as compared to \$21,560 (2005 - \$21,710) for the year ended December 31, 2006.

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Annual Results (continued)

General and administrative expenses

	2007	2006	2005
Investor relations	\$ 107,180	\$ 36,170	\$ 50,650
Filing and transfer fees	39,310	33,580	26,445
Professional fees	176,785	143,480	151,875
Consulting fees - gross	446,195	373,550	326,195
Consulting fees - capitalized	(154,350)	(82,800)	(105,625)
Rent and office costs	257,670	214,140	151,100
Part 12.6 Tax	-	115,835	37,810
	<u>\$ 872,790</u>	<u>\$ 833,955</u>	<u>\$ 638,450</u>

In 2007 general and administrative expenses increased by \$38,835 or 5% and \$234,340 and 37% to \$872,790 for the year ended December 31, 2007 as compared to \$ 833,955 for 2006 and \$638,450 for 2005 respectively. The increase in G&A costs in 2007 is a result of legal and accounting fees relating to the Company's financing as well as increases in filing and transfer fees relating to corporate equity financings plus a general increase in office costs and salaries. Included in general and administrative expenses is \$6,490 (2006 - \$26,870) of legal expenses incurred in the North Sea.

Stock based compensation

Stock based compensation costs increased from \$1,562,450 in the year ended December 31, 2006 to \$1,851,725 in the same period in 2007 due to an increased number of options issued to officers, directors, employees and consultants during the year.

Net earnings (loss)

International Frontier recorded a consolidated net loss of \$3,644,345 (\$0.06 loss per share) for the year ended December 31, 2007 as follows:

Net earnings (loss):	2007	2006	2005
Canada	\$(1,698,360)	\$ (1,202,775)	\$ (1,837,235)
United Kingdom	(4,385,025)	(26,870)	-
Consolidated net loss	\$(6,083,385)	\$ (1,229,645)	\$ (1,837,325)
Loss per share	\$ (0.11)	\$ (0.03)	\$ (0.05)

During the year ended December 31, 2007 loss before tax increased Canada due to a future income tax expense of \$66,850 at December 31, 2007 as compared to a recovery of \$608,535 for the year ended December 31, 2006. Net loss at December 31, 2007 was mitigated by an increase of interest income earned on cash balances in the year as compared to 2006. The increase in net loss in the United Kingdom can be attributed to an impairment of petroleum and natural gas properties in the amount of \$4,280,860 (2006 - \$Nil) related to the drilling of three dry holes.

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Annual Results (continued)

Funds flow from operations

Funds flow from operations is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). Management believes that funds flow from operations is a useful measure of financial performance. For the purposes of funds flow from operations calculations, the following table reconciles the non-GAAP financial measures "funds flow from operations" to "net income," the most comparable measure calculated in accordance with GAAP:

	2007	2006	2005
Net loss	\$(6,083,385)	\$ (1,229,645)	\$ (1,837,235)
Non-cash items			
Depletion, depreciation and impairments	4,459,275	1,222,010	203,435
Accretion	16,775	21,560	21,710
Stock based compensation	1,851,725	729,830	1,562,450
Gain on sale of investment	-	-	(4,745)
Write off of investment	-	-	52,875
Future income tax recovery	66,850	(608,535)	(175,880)
Asset retirement obligation	(223,145)	(5,960)	(69,610)
Funds flow from operations	\$ 88,095	\$ 129,260	\$ (247,000)

Financial Instruments

International Frontier has not entered into any commodity or financial instrument hedges. The Company carries various forms of financial instruments, all of which are recognized in International Frontier's audited consolidated financial statements at December 31, 2007. Unless otherwise denoted in the December 31, 2007 audited consolidated financial statements it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from 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

Year ended December 31,	2007	2006	2005
Capital expenditures			
Canada	\$ 3,834,760	\$ 5,504,000	\$ 2,647,025
United Kingdom	5,177,305	929,410	175,855
	<u>\$ 9,012,065</u>	<u>\$ 6,433,410</u>	<u>\$ 2,822,880</u>

Capital expenditures for the period ending December 31, 2007 were \$9,012,065 (2006 – \$6,433,410) of which \$3,834,760 or 43% (2006 – 86%, 2005 – 94%) is related to exploration activities in the Central Mackenzie Valley, NWT and \$5,177,305 or 57% (2006 – 14%, 2005 – 6%) is 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 areas, the timing of revenue generation is dependent on a variety of factors not within control of the Company.

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Obligations

Under the terms of the flow-through agreements undertaken in 2007, the Company had flow-through share spending obligations of \$3,498,025 (2006 - \$Nil, 2005 - \$5,337,725) at December 31, 2007. The Company has sufficient working capital 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 payment of \$86,570 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 and consultants provide professional, consulting and management services to the Company and are eligible to receive royalties pursuant to the Company's Royalty Incentive Plan. Total amounts paid to officers and directors during the year ended December 31, 2007 in respect of consulting fees and royalties were \$59,750 (2006 - \$295,190, 2005 - \$206,835). Of the total consulting fees paid to related parties during the year \$6,950 (2006 - \$82,800, 2005 - \$93,375) was capitalized to property and equipment at December 31, 2007. In addition, during the year \$30,725 (2006 - \$43,600, 2005 - \$8,400) was paid to a law firm in which a Director is a partner. These costs are included in general and administrative expenses on the consolidated statements of loss, deficit and comprehensive loss at December 31, 2007. During the year certain officers and directors purchased 20,400 flow through shares at a price of \$1.50 per share in February 2007 and 62,500 flow through shares at a price of \$0.80 per share in December 2007.

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:

Unaudited:	March 31, 2006	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007
Sales volumes – Bbl/ day	50	52	46	42	36	35	44	38
Revenues, net (\$)	240,305	246,080	209,995	133,490	130,035	134,605	186,915	155,930
Net earnings (loss) - (\$)	(217,450)	(135,290)	(472,900)	(404,005)	(415,770)	(1,060,295)	21,290	(4,334,515)
Net loss per share– basic & diluted - (\$)/share	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.00)	(0.08)
Total assets	23,440,490	26,402,100	25,928,020	26,238,655	47,245,705	46,772,450	47,572,995	46,596,795
Working capital (\$)	12,555,475	13,439,825	13,540,290	11,348,175	32,305,425	31,204,960	29,631,060	22,407,855
Restricted cash on deposit (\$)	2,016,225	1,596,700	1,538,125	1,538,125	1,538,125	1,912,430	1,912,430	2,267,175
Funds flow form operations (\$)	2,535	97,655	287,250	(258,170)	2,529	(60,650)	72,510	54,340



Fourth Quarter Results

The following summarizes the results for the three months ended December 31, 2007 compared with the same period in 2006.

Sales Volumes

Sales volumes in the fourth quarter of 2007 were 38 Bbl/day a decrease of 4 Bbl/day or 10% as compared to the same period in 2006 with sales volumes of compared to 42 Bbl/day in 2006. The decline in sales volumes in 2007 as compared to 2006 is due to natural decline rates as forecasted in the Company's engineering report.

Gross revenues and royalties

Gross revenues were \$218,500 in the fourth quarter of 2007, an increase of \$27,315 or 14% as compared to \$191,185 for the same period in 2006. The increase in gross revenues in the fourth quarter of 2007 is a direct result of a 25% increase in average price per Bbl received of in the three months ended December 31, 2007 at \$61.34 per Bbl as compared to \$49.10 per Bbl in the third quarter of 2006, which was slightly mitigated by a decrease in production of 4 Bbl per day or 10%.

Gross overriding royalty costs were relatively consistent with \$47,560 or 22% in the fourth quarter of 2007 as compared with \$39,570 or 21% in the same quarter in 2006.

Interest income

In the fourth quarter of 2007 interest income from short term investments was \$347,595 up from \$207,445 or 148% as compared to \$140,150 for the three months ended December 31, 2006. The increase in interest income received is a result of a larger cash balance in the period. Interest income earned in the fourth quarter of December 31, 2007 also includes \$28,190 (2006 - \$Nil) of interest earned from cash balances in the U.K. in that period.

Field operating costs

Operating expenses were \$100,180 or \$25.75 per Bbl for the three months ended December 31, 2006 as compared with \$145,425 or \$40.85 per BOE in 2007. This increase of \$45,245 or 45% in the fourth quarter of 2007 as compared to the same period in 2006 was due primarily to increased operating costs, well workovers and facility turn arounds.

Depletion and Depreciation

Consolidated depletion, depreciation and impairments on oil and gas properties was \$4,346,390 in the fourth quarter of 2007 as compared to \$286,650 in the same period in 2006. Included in this amount was depletion of oil and gas properties in Canada of \$63,000 or \$17.70 per Bbl which is comparable to \$16.60 per Bbl or \$64,625 in the fourth quarter of 2006.

In addition for the fourth quarter ended December 31, 2007 consolidated depletion, depreciation and impairments includes a \$Nil (2006 - \$1,000,620) impairment of petroleum and natural gas assets which has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves in Canada. At December 31, 2007 a \$4,280,860 (2006 - \$Nil) impairment of petroleum and natural gas assets in the North Sea was incurred relating to the costs of three dry holes. These costs were recorded as part of depletion.

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Fourth Quarter Results (continued)

General and Administrative Costs

General and administrative expenses in the fourth quarter of 2007 were \$285,545 a decrease of \$149,580 or 34% as compared to \$423,500 for the fourth quarter of 2006. This decrease is primarily a result of Part 12.6 tax accrued at December 31, 2006 with respect to flow through shares issued in 2005. There were no such costs incurred in the same period in 2007.

Stock based compensation

There were no stock options issued or exercised in the fourth quarter of 2007, therefore, no stock based compensation costs were booked for the three months ended December 31, 2007, which is consistent with the three months ended December 31, 2006.

Net earnings (loss)

International Frontier recorded a consolidated net loss of \$1,895,475 (\$0.03 loss per share) for the quarter ended December 31, 2007 as follows:

Net earnings (loss):	Q4 - 2007	Q4 - 2006
Canada	\$ 3,505	\$ (396,135)
United Kingdom	(4,338,020)	(7,870)
Consolidated net loss	\$ (4,334,515)	\$ (404,005)
Loss per share	\$ (0.08)	\$ (0.01)

The increased earnings in Canada for the fourth quarter ended December 31, 2007 can be attributed to a larger cash balance resulting in an increase in interest income earned in the period. The increase in net loss in the United Kingdom can be attributed to impairment of petroleum and natural gas properties in the North Sea of \$4,280,860 (2006 - \$Nil) booked in the fourth quarter of 2007.

Other Items

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	December 31, 2007	April 8, 2008
Common shares outstanding	58,578,965	59,241,546
Warrants outstanding	7,504,000	6,200,000
Options outstanding	5,855,000	5,855,000
Convertible debentures	86,667	86,667
Fully diluted	72,024,632	70,720,632

Additional details on the shares, options and warrants outstanding at December 31, 2007 are available in the Notes to the December 31, 2007 audited consolidated financial statements.



Accounting Policy Changes

On January 1, 2007, the Company adopted the new Canadian accounting standards for financial instruments – recognition and measurement, financial instruments – presentations and disclosures, hedging and comprehensive income. Prior periods have not been restated. Additional disclosure requirements for financial instruments and accounting changes have been approved by the Canadian Institute of Chartered Accountants and will be required disclosure beginning January 1, 2008. These new standards have no material impact on the Company's financial statements.

Financial Instruments – Recognition and Measurement

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held for– trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in other comprehensive income and reclassified to earnings when derecognized or impaired. There were no changes to the measurement of existing financial assets and liabilities at the date of adoption.

Cash and cash equivalents are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as “loans and receivables” and accounts payable and accrued liabilities and bank loans are designated as “other liabilities”, all of which are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Risk management assets and liabilities are derivative financial instruments classified as “held-for-trading” unless designated for hedge accounting. The Company has no commodity contracts or fixed-price physical contracts in place at this time.

Derivatives

The Company may use various types of derivative financial instruments to manage risks associated with crude oil and natural gas fluctuations. These instruments are not used for trading or speculative purposes. Proceeds and costs realized from holding the related contracts are recognized in petroleum and natural gas revenues at the time that each transaction under a contract is settled. For the unrealized portion of such contracts, the Company utilized the fair value method of accounting. The fair value is based on an estimate of the amounts that would have been paid to or received from counterparts to settle these instruments given quoted future market prices and other relevant factors. The method requires the fair value of the derivative financial instruments to be recorded at each balance sheet date with unrealized gains or losses on these contracts recorded through net earnings. The Company had no derivatives in 2007.

Embedded Derivatives

On adoption, the Company elected to recognize, as separate assets and liabilities, only for those embedded derivatives in hybrid instruments issued, acquired or substantively modified after January 1, 2003. The Company did not identify any material embedded derivatives which require separate recognition and measurement.

Other Comprehensive Income

The new standards establish a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income. The Company currently has no other comprehensive income items.

Beginning January 1, 2007 the Company adopted Section 1506 “Accounting Changes” the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP



Accounting Policy Changes (continued)

Other Comprehensive Income

that has been issued but is not yet effective. This is the case with Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation" which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

As of January 1, 2008, the Company will be required to adopt CICA Handbook Section 1535 "Capital Disclosures", which requires entities to disclose their objectives, policies and processes for managing capital, and in addition, whether the entity has complied with any externally imposed capital requirements. The Company is assessing the impact of this new standard on its financial statements and anticipates that the main impact will be in terms of additional disclosures required.

As of January 1, 2008, the Company will be required to adopt CICA Handbook Section 3031, "Inventories". This new standard will have no impact on the Company's financial statements. In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook, for consistency purposes. The new Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for

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.



Forward Looking Statements

This Management Discussion and Analysis (MD&A) contains forward-looking or outlook information which reflects management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "project", "should", "believe", "outlook", "forecast" and similar expressions are intended to identify forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Although management believes the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that actual results will be consistent with these forward-looking statements. Readers should not put undue reliance on forward-looking information. These statements are made as of the date hereof and management assumes no obligation to update or revise these statements to reflect new events or circumstances.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this management discussion and analysis.

- Volatility in market prices for oil and natural gas;
- Risks inherent in our operations;
- Geological, technical, drilling and processing problems;
- General economic conditions;
- Industry conditions, including fluctuation in the price of oil and natural gas;
- Governmental regulation;
- Fluctuation in foreign exchange and interest rates;
- Unanticipated events that can reduce production or cause production to be shut-in or delayed;
- Failure to obtain industry partner and other third party consents and approvals, when required;
- The need to obtain required approvals from regulatory authorities; and
- The other factors discussed under "Operational and Other Business Risks" in this management discussion and analysis.

Operational and other business risks

Need to Replace and Grow Reserves

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

The business of discovering, developing, or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, the ability of International Frontier to make the necessary capital investments to maintain and expand its oil and natural gas reserves may be impaired.

There can be no assurance that International Frontier will be able to find and develop or acquire additional reserves to replace and grow production at acceptable costs.



Exploration, Development and Production Risks

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

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

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

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

Reserve Estimates

The production forecast and recoverable estimates contained in International Frontier's engineering report are only estimates and the actual production and ultimate recoverable reserves from the properties may be greater or less than the independent estimates of McDaniel & Associates Consultants Ltd.

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived thereof, including many factors that are beyond the control of International Frontier. The reserve and cash flow information set forth herein represent estimates only. The reserves and estimated future net cash flow from the assets of International Frontier have been independently evaluated effective December 31, 2007 by McDaniel & Associates Consultants Ltd. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditure, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant

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evaluations were prepared and many of these assumptions are subject to change and are beyond the control of International Frontier. Actual production and cash flows derived thereof will vary from these evaluations, and such variations could be material. The foregoing evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived thereof contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Volatility of Oil and Natural Gas Prices

The operational results and financial condition of International Frontier will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect of the operations, proved reserves, and financial conditions of International Frontier and could result in a reduction of the net production revenue of the Company causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings which might be made available to the Company are typically determined in part by the borrowing base of the reserves of International Frontier. A sustained material decline in prices from historical average prices could reduce the borrowing base of International Frontier, therefore reducing the bank credit available to International Frontier and could require that a portion of such bank debt be repaid.

International Frontier uses the full cost method of accounting for oil and natural gas properties. Under this accounting method, capitalized costs are reviewed on a quarterly basis for impairment to ensure that the carrying amount of these costs is recoverable based on expected future cash flows.

Operational Hazards and Other Uncertainties

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, International Frontier is not fully insured against all of these risks, nor is all such risks insurable. Although International Frontier will maintain liability insurance, where available, in an amount which it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event International Frontier could incur significant costs that could have a material adverse affect upon its financial condition. Business interruption insurance may also be purchased for selected facilities, to the extent that such insurance is available. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability and/or cost of such equipment to International

Frontier and may delay exploration and development activities. To the extent International Frontier is not the operator of its oil and gas properties, the Company will be dependent on other operators for timing of activities related to non-operating properties and will be largely unable to direct or control the activities of the operators.

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

Competition

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

Key Personnel

The success of International Frontier will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on International Frontier. International Frontier does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of International Frontier are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that International Frontier will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Environmental Risks

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

Other information

Additional information regarding International Frontier Corporation's reserves and other data is available on SEDAR at www.sedar.com