International Frontier Resources Corporation
Management's Discussion and Analysis
2008 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 Company does not operate its properties located in the Northwest Territories or in the North Sea therefore the timing of operations and budgeted capital expenditures are determined by the respective operators.

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, 2008, as well as information concerning the Company's future outlook based on currently available information. The MD&A has been prepared by management as at April 21, 2009 in accordance with GAAP and should be read in conjunction with the audited consolidated financial statements as at December 31, 2008 and 2007 together with accompanying notes, the Statement of Reserves Data and Other Oil and Gas Information on December 31, 2008. This MD&A contains forward looking statements, the definitions of which are defined in the last section of the MD&A.

The MD&A and the annual consolidated financial statements and accompanying notes have been prepared by management and approved by the Audit Committee and 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 MD&A Report are expressed in Canadian dollars unless otherwise indicated.

Corporate Update

Central Mackenzie Valley NWT, Summit Prospect Area

EL-397

Summit SDL – 8.2331% (no expiry)
Stewart SDL – 11.88% (no expiry)
Area – 342,000 acres
Work Program - $15.5 million (fulfilled)
Expiry – June, 2008
Operator – Husky Oil Operations Limited

In 2008 three Significant Discovery Licenses ("SDL") were granted on lands located within EL-397. The Summit Creek SDL covers 11,070 acres (4,480 hectares) which is the productive area proven up by the Summit Creek B-44 and Summit Creek K-44 wells. The Summit Creek B-44 discovery well produced approximately 20 MMCF/D and 6,300 barrels of 55 degree API oil from two Devonian age formations during a 48 hour production test.

Two SDL's were granted covering the Stewart Lake L-52 discovery area, the SDL area also includes TDL freehold parcel M-38, on a combined basis the SDL's and parcel M-38 cover a productive area of 15,918 acres (6,442 hectares). The Stewart discovery well drill stem tested at a rate of 5 MMCF/D from two Cretaceous age sands. The Company has identified additional zones for future testing.

No expenditures were incurred on the Summit Creek and Stewart Lake SDL's in the reporting period. In June, 2008 all lands other than the SDL's within EL-397 expired.

Contingent Resource Estimate (1&2)	Low-MBOE	Best-MBOE	High-MBOE
Summit Creek & Stewart SDL's	336,600	1,049,200	3,777,200

1. *IFR net contingent resources estimate - McDaniel & Associates July 1, 2008 report.*
2. *Gas conversion ratio 6:1 (6 mcf = 1 Bbl)*

EL-423
IFR- 15%
Area – 226,500 acres
Work Program - $24.8 million (fulfilled)
Expiry – June 17, 2012
Operator- Husky Oil Operations Limited

In Q1, 2008 the Company participated for a 15% interest in the Dahadinni B-20 and Keele River L-52 exploration wells. The Dahadinni B-20 well was targeting the Devonian Formation in a structure that was interpreted to cover an area of 7,000 acres, unfortunately drilling problems were encountered and the well did not reach total depth and the primary objective, the Devonian Formation, was not evaluated. During drilling operations oil and gas shows were recorded, this information provides encouragement that a hydrocarbon source is present in the structure that appears to be sealed via a four-way closure. The operator plans to shoot additional 2D seismic on the Dahadinni structure to identify future drilling locations. Due to a late start in the winter drilling season, combined with drilling problems, the Dahadinni well exceeded AFE by $5 million ($29M AFE estimate - $34M actual) $5.2 million net to IFR.

The Keele River well tested a shallow Cretaceous oil prospect, hydrocarbons were not encountered and the well was plugged and abandoned. Results of the well have discounted the Cretaceous as a viable play in EL-423. The Company's share of the Keele River well was $1.4 million.

The 2008 drilling program fulfilled a work program of $24.8 million and the license has been extended for an additional term of 4-years.

EL-423 Budget (IFR net)

Item	Firm	Contingent
Land Retention	$192,758	
Seismic & Field Work		$705,000

EL-441
IFR – 13.40%
Area – 218,500 acres
Work Program - $10.5 million ($2M fulfilled)
Expiry – May 31, 2010
Operator – Husky Oil Operations Limited

In 2007 a 2D seismic survey was acquired on the license, the Company's share of the survey was approximately $268,000. The Company has restricted cash securing a letter of credit in the amount of $352,440. The letter of credit is refundable if a work program of $8.5 million is fulfilled.

EL-441 Budget (IFR net)

Item	Firm	Contingent
Land Access	$4,000	
Seismic & Field Work		$682,000

EL-443
IFR – 25%
Area – 227,750 acres
Work Program - $4.9 million
Expiry – June 1, 2011
Operator – Husky Oil Operations Limited

No expenditures were incurred on the license in the reporting period. The Company has restricted cash securing a letter of credit in the amount of $305,555. The letter of credit is refundable if a work program of $4.8 million is fulfilled.

EL-443 Budget (IFR net)

Item	Firm	Contingent
Land Access	$7,500	
Seismic		$487,500

TDL M-37, M-38 & M-39 (17%)
IFR-15% - 17%
Work Program – Nil
Expiry – continued
Operator – Husky Oil Operations Limited

In 2008 the Company paid its pro-rata share of annual rentals.

TDL M-37, M-38 & M-39 Budget (IFR net)

Item	Firm	Contingent
Land Retention	$131,500	
Seismic		$41,250

TDL M-32, M-33, M-34 & M-35
IFR- 17.00%
Work Program – Nil
Expiry – continued
Operator – Husky Oil Operations Limited

In 2008 the Company paid its pro-rata share of annual rentals.

The Company will fund its budgeted firm and contingent capital expenditures on EL-423, EL-441, EL-443 and on the TDL freehold lands from existing working capital.

Colville Hills, NWT
EL-432
IFR – 25%
Area – 158,000 acres
Work Program - $4 million (fulfilled)
Expiry – May 18, 2009
Operator- BG International Limited

In Q1, 2008 the Company participated in the acquisition of a 185 km. 2D seismic survey. The cost to acquire the seismic data was $10 million, $2.5 million net to IFR. The seismic has been interpreted and incorporated into a geological model. Subsequent to year end the Company received a refund on its security deposit in the amount of $20,802. The Company has lodged a

letter of credit secured by restricted cash in the amount of $229,197. As the work program has been fulfilled the Company anticipates receiving a refund of $229,197 in 2009.

EL-445
IFR – 25%
Area – 206,000 acres
Work Program - $1.2 million
Expiry – May 31, 2010
Operator – BG International Limited

No capital expenditures were incurred on the license in 2008.The Company has restricted cash securing a letter of credit in the amount of $68,750the letter of credit is refundable if the work program of $1.2 million is fulfilled.

EL-429
IFR – 25%
Area – 204,700 acres
Work Program - $12.5 million ($11M fulfilled)
Expiry – May 18, 2009
Operator – BG International Limited

In 2007 the Company participated in the acquisition of a 190 km. 2D seismic survey. The cost to acquire the data was approximately $11M, $2.75 net to IFR. There were no significant capital expenditures incurred on the license in 2008. The Company has restricted cash securing a letter of credit in the amount of $55,192 the letter of credit is refundable if a work program of $1.5 million is fulfilled.

Northwest Territories Notes;

Note 1.To continue a license into the secondary term a well must be drilled in the primary term (4-years). A license can also be extended on an annual basis, to a maximum of 2-years, by posting a $1 million bond annually. The bond is refundable if a well is drilled in the extension period.

Note 2.To the extent allowable expenditures are incurred by the Company restricted cash securing letters of credit will be released on the basis of 25% of the allowable expenditures. In the event allowable expenditures, or any portion thereof, are not incurred in the primary term of the license (4-years) the Company will forfeit its proportionate share of any deposits relating to the un-expended work program.

NWT Land Value Report

The Company's undeveloped acreage in the Central Mackenzie Valley, NWT was assigned the following value as of August 18,2008 by McDaniel & Associates Consultants Ltd. The fair market value has been reduced to account for license expiries as of December 31, 2008.

Gross Acres	Net Acres	Fair Market Value
1,299,334	271,259	$11,087,979

Mackenzie Valley Pipeline

The Company's major assets are located in the Central Mackenzie Valley of the Northwest Territories. To date our discoveries have yielded gas and natural gas liquids. In order to bring these resources on-stream the Mackenzie Valley gas pipeline needs to be constructed. International Frontier is encouraged with the recent proposals by TransCanada Pipelines Limited to spearhead the development of this very important project. The Federal Government recently

indicated that it will offer financial support to the Mackenzie Valley pipeline; this financial support could provide the necessary impetus required to initiate construction of the pipeline.

North Sea U.K.

Bowmore Area – License P1465 (blocks 15/24a, 15/23c, 15/28a & 15/29e)

Britcana (IFR) – 10%
Operator – Nippon Oil Exploration and Production U.K. Limited

The Company holds a 10% working interest in four blocks that were awarded to the consortium in the 24th UKCS licensing round. The work program covering the blocks includes the acquisition of 2-D and 3-D seismic, the drilling of two firm wells and two contingent wells. As of December 31, 2008 the 2-D and 3-D seismic commitments have been fulfilled.

Block 15/24a

Interpretation of 3-D seismic has matured a drilling location in block 15/24a. The 15/24-J well will appraise an offsetting discovery well that tested 11 MMCF/D and 3025 barrels of condensate. The prospect, which has been named Alpha, is targeting prospective reservoirs within the Jurassic Formation which are projected to be high pressure - high temperature ("HPHT") reservoirs. The Alpha well is scheduled to spud in June 2009.

In 2008 the Company signed a long-lead-item AFE in the amount of GBP 4.8 million gross, GBP 480,000 pounds (+/-C$860,000) net to IFR. The AFE covers a drilling site survey, casing, tubing, wellhead and other long-lead-items required to drill the 15/24a-J Alpha well.

The operator issued an AFE'covering dry hole costs which are estimated at GBP 30M (C$53.7M – C$5.3M net to IFR). An AFE has not been issued for testing costs which are estimated at GBP 15M (C$26.8M – C$2.68M net to IFR). As of the date of this MD&A the Company has not signed the AFE.

Un-risked Contingent Resource Estimates	P-90	P-50	P-10
Gross MBOE (6:1)	13	43	99
Net MBOE (6:1) at 10% Interest	1.3	4.3	9.9

Operator contingent prospective un-risked resource estimates.

Block 15/23c

In 2008 the Company signed a long-lead-item AFE in the amount of GBP 2.016 million, 201,600 pounds (+/-C$376,000) net to IFR. The AFE covers the costs for a drilling location site survey and other long-lead-items.

License P1465 2009 Budget (IFR net Cdn$)

Item	Firm	D&A (1)	Contingent Testing (1)
15/24 & 15/23 Long-lead items	$1.23M		
Estimated Cost (C$) @5%		$2.65M	$1.34 M
Estimated Cost (C$) @ 10%		$5.3 M	$2.68 M

Note 1 – The Company is contractually obligated to pay its share of the long-lead-item AFE in the amount of $1.23 million. The costs identified in the above table reflect the Company either paying 5% or 10% of the estimated dry hole AFE, and the estimated testing costs. The Company is seeking a partner to pay 50% of its 10% share of the drilling and testing costs.

License P.233 (Maria Block 15/18a)
Britcana (IFR) – 8.33%
Operator – Petro-Canada U.K. Limited
The Company paid 11.11% of the cost to drill the Maria 15/18a-12 well to earn an 8.33% interest. The well was originally AFE'd at GBP 11 million, C$2.4 million net to IFR. Due to severe drilling problems encountered and harsh winter seas well costs came in at GBP18 million, C$3.7 million net to the Company. The operator has classified the well as a non-commercial oil discovery.

By fulfilling the terms of the farmin agreement the Company earned an 8.33% interest in block 15/18a from Petro-Canada. The block includes fallow discovery wells 15/18a-6 and 15/18a-9z.

In Q2, 2009 the operator submitted a budget for partner's consideration, the Company is currently reviewing the 2009 budget.

Maria Paleocene - MBOE	P90	P50	P10
Contingent Resource Estimate (1&2)	175,000	512,000	1,187,000

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1. *IFR net contingent resource estimates – McDaniel & Associates Consultants Ltd. July 1, 2008 report.*
2. *Gas conversion ratio 6:1 (6 mcf = 1 Bbl)*

License P1089 & P1295 (Laurel Valley)
Britcana (IFR) – 10.45%
Operator – Oilexco North Sea Inc.

In 2008 the Company relinquished its interest in License P1089 & P1295. There were no significant expenditures incurred on the license in 2008.

License P1301 (Ridgewood)
Britcana (IFR) – 15%
Operator – Lundin Petroleum Ltd.

In 2008 the Company relinquished its interest in License P1301. In 2007 the Company wrote off C$3.5 million relating to its share of a dry hole, there were no other costs incurred on the license in 2008.

License P1129 & P1436 (Lytham)
Britcana (IFR) – 6.5%
Operator – Lundin Petroleum Ltd.

In 2008 the Company relinquished its interest in Licenses P1129 and P1436. In 2007 the Company wrote off $663,000 and in 2008 the Company wrote off $930,000 from its full cost pool to reflect its share of a dry hole drilled on the license. There were no other costs incurred on the license in 2008.

Alderson – Brooks Area Alberta
IFR – 100%

The Company operates six producing oil wells and an oil battery located in the Alderson area of southern Alberta. The wells produce 30 degree API oil from the Manniville Reservoir. The Company acquired the Alderson property to conduct a pilot program using the Sidox oil production enhancement and water reduction technology.

Category	Net MB0E	NPV – O%	NPV – 10% discount
Total Proved	61.9	$1,127,900	$932,000
Probable	26.1	$850,000	$465,700
Total Proved & Probable	88.0	$1,977,900	$1,397,800

1. Total Property reserves and net present value – McDaniel & Associates Ltd. reserve report date December 31, 2008.
2. Gas conversion ratio 6:1 (6 mcf = 1 Bbl)

Sidox

Sidox Chemicals Canada Ltd. is 50% jointly controlled subsidiary of the Company accounted for on the proportionate consolidation method. All inter-company transactions and balances are eliminated upon consolidation in the reporting period,there were no operations or capital expenditures incurred in Sidox Chemicals Canada Ltd.

During 2008 the Company wrote off $55,165 of non- recoverable costs, which represent its proportionate share of amounts owed to International Frontier Resources by Sidox Canada at December 31, 2008.

At December 31, 2008 SIDOX chemical inventory was written down by $123,750 to its net realizable value of $32,400. The Company's proportionate share of this write down of $61,875 has been written off as an expense resulting in a net realizable value of $16,200 at December 31, 2008.

Liquidity, capital resources and financing activities

Working Capital

At December 31, 2008 cash and cash equivalents were $9,605,300 (December 31, 2007 $25,316,940), and working capital was $9,888,615 (December 31, 2007 - $22,407,855). At December 31, 2008 the Company had restricted cash securing letters of credit in the amount of $2.3 million; the letters of credit secure refundable work deposits on the Company's Northwest Territories Exploration Licenses. Subsequent to December 31, 2008, the Company received a refund of $746,860 in addition a refund of $595,255 was approved on April 9, 2009. As a result the Company's letters of credit and restricted cash will be reduced to $925,060.

The decrease in working capital in 2008 is a result of capital expenditures of $9,676,580 incurred in the Northwest Territories and $4,612,850 incurred in the North Sea. For the year ended December 31, 2008 the Company received cash flow from operations of $158,790, used cash for investing activities of $15,836,140 and used cash for financing activities of $34,290 resulting in net cash decrease of $15,711,640.

Future Capital Requirements

At the present time the Company can fund its share of its 2009 – 2010 firm and contingent capital expenditures from existing working capital.

Historically, the Corporation has relied on proceeds from the sale of its Common Shares to fund its operations. In order to accelerate the Corporation's current exploration programs the Corporation may require additional capital. The timing, pace, scope and amount of the Corporation's capital expenditures is largely dependent on the operators capital expenditure program(s) and the availability of capital to the Corporation.

The Corporation may obtain funds for future capital investments from strategic alliances with other energy or financial partners, the issuance of additional Common Shares, preferred shares

or debt securities, project financing, sale of property interests, or other arrangements, all of which may dilute the interest of the Corporation's existing shareholders or the Corporation's interest in the specific project financed. The Corporation may change the allocation of capital among the categories of anticipated expenditures depending upon future events that the Corporation cannot predict. For example, the Corporation may change the allocation of its expenditures based on the actual results and costs of future exploration, appraisal, development, production, property acquisition and other activities. In addition, the Corporation may have to change its anticipated expenditures if costs of placing any particular discovery into production are higher, if the field is smaller or if the commencement of production takes longer than expected.

The Corporation regularly forecasts its capital needs on an annual, quarterly and monthly basis. The Corporation's current internally generated cash flows do not provide sufficient capital for the Corporation's current exploration plans. Management anticipates having its current capital commitments relating to AFE's approved by the Company fully funded from existing cash on hand at December 31, 2008.

In the management of capital, the Company includes shareholders' equity (excluding accumulated other comprehensive income (loss), cash and cash equivalents, marketable securities and short term portion of restricted cash less accounts payable in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company is reasonable. As at December 31, 2008 the Company's capital as defined above was approximately $44,319,000 (2007 - $61,959,000).

Due to current economic conditions it would be difficult for the Company to secure equity financing at the present time. The Corporation has a number of options available to it if existing working capital does not cover future capital expenditures proposed by the operators on the Company's existing prospect inventory, including, but not limited to, i) revising its capital expenditure plans ii) selling a partial or 100% interest in a property to a third party, iii) obtain joint venture financing from a third party, iv) obtaining debt financing, or a combination of these possible steps.

Annual Results

The following table summarizes results for the years 2008, 2007, and 2006.

	2008	2007	2006
Sales volumes – BOE/day (Canada)	40	38	48
Oil Revenues, net (Canada)	$ 970,060	$ 607,490	$ 746,365
Interest income			
Canada	$ 460,895	$ 1,120,040	$ 449,095
United Kingdom	62,820	34,935	-
Consolidated interest income	$ 523,715	$ 1,154,975	$ 449,095
Net loss and comprehensive loss			
Canada	$ (2,722,875)	$ (1,698,360)	$ (1,202,775)
United Kingdom	(1,437,345)	(4,385,025)	(26,870)
Consolidated net loss and comprehensive loss	$ (4,160,220)	$ (6,083,385)	$ (1,229,645)
Net loss per share – basic and diluted	$ (0.07)	$ (0.11)	$ (0.03)
Property and equipment			
Canada	$ 20,846,600	$ 15,391,060	$ 11,131,820
United Kingdom	5,291,290	2,113,815	1,105,265
Consolidated property and equipment	$ 26,137,890	$ 17,504,875	$ 12,237,085
Total assets	$ 38,255,075	$ 46,596,795	$ 26,238,655
Working capital	$ 9,888,615	$ 22,407,855	$ 11,348,175
Flow through share obligations	$ -	$ 3,498,025	$ -

Sales volumes

- Oil production in 2008 averaged 40 Bbl/day compared with 38 Bbl/day in 2007.

Gross revenues and royalties

- Gross oil revenue was $1,229,080 an increase of $442,060 or 56.17% as compared to $787,020 in 2007 (2006 - $965,370)
- The increase in oil revenue and royalties paid is the result of a 52.55% increase in oil price ($85.73 per Bbl in 2008 versus $56.20 per Bbl in 2007 and $55.24 per Bbl in 2006).
- In 2008 the Company paid royalties of $235,100 or 19.13% of gross revenues as compared to $164,520 or 20.90% of gross revenues in 2007, an increase of 42.90% (2006 - $200,880 or 20.81% of gross revenues).
- In 2008 the Company paid royalties of $23,920 (2007 - $15,010, 2006 - $18,125) to certain executive officers who are also directors and consultants in accordance with the Company's Royalty Incentive Plan.

Interest income

- In 2008 the Company earned interest income from short term investments of $460,895 (2007 - $1,120,040).
- The decrease in interest income in 2008, as compared to the same period in 2007, is due to a decrease in funds invested of $13,141,340 (from $22,074,790 in 2007 to $8,933,450 at December 31, 2008) coupled with a decrease in the average interest rate earned of 3.13% (from 4.43% in 2007 to 1.30% at December 31, 2008).
- Interest income also includes $62,820 (2007 - $34,935, 2006 - $Nil) of interest earned from cash balances in the U.K.

Field operating costs

- In 2008 operating expenses were $376,145 a decrease of $131,880 or 25.96% as compared to operating expenses incurred in 2007 of $508,025 (2006 – $398,785).
- Operating costs per Bbl decreased by 27.68% averaging $26.24 per Bbl as compared to $36.28 per Bbl in 2007 (2006 - $22.82 per Bbl). The decrease in operating costs was a result of fewer Sidox treatments coupled with a decrease in well workover expenses.

Prospect Fees

- In 2007 the Company earned prospect fee income of $194,755 (2006 - $172,500). The Company did not earn any prospect fee income in 2008.

Depletion and depreciation

Depletion, depreciation and impairments at December 31, 2008 and 2007 consist of the following;

December 31, 2008

Depletion, depreciation and impairments	Canada	U.K	Total
Depletion of natural gas properties	$ 424,215	$ -	$ 424,215
Impairment of natural gas properties	3,796,325	1,435,375	5,231,700
Amortization of Sidox license	5,000	-	5,000
Depreciation of equipment	4,540	-	4,540
	$ 4,230,080	$ 1,435,375	$ 5,665,455

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
	$ 178,415	$ 4,280,860	$ 4,459,275

- Depletion of oil and gas properties for the year ended December 31, 2008 was $424,215 or $29.55 per Bbl, an increase of $256,470 or $17.57 per Bbl as compared to $167,745 or $11.98 per Bbl for the same period in 2007. The increase in depletion was due to an increase in the depletable net cost base resulting from dry holes drilled in the Northwest Territories in the amount of $8,615,245 ($4,562,770 at December 31, 2007) and $1,435,375 (2007 - $4,280,860) relating to the cost of a dry hole in the North Sea.
- At December 31, 2008 an impairment test was performed which calculates the amount by which the carrying amount of capitalized costs related to producing properties exceeds the fair value of the reserves as estimated by the Company's reservoir engineers at December 31, 2008. As a result a $3,796,330 (2007 - $Nil) impairment charge 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.
- The carrying value of properties in the exploration stage in the Northwest Territories of $19,431,260 (December 31, 2007 - $13,805,330) and in the North Sea of $5,291,020 (December 31, 2007 - $2,413,000) have been excluded from the depletion calculation at December 31, 2008.

Accretion of asset retirement obligation

- Accretion of asset retirement obligations at December 31, 2008 were $29,450 an increase of $12,675 compared to $16,775 in 2007.

General and administrative expenses

	2008	2007	2006
Investor relations	$ 36,880	$ 107,180	$ 36,170
Filing and transfer fees	26,340	39,310	33,580
Accounting and legal	123,765	176,785	143,480
Consulting fees - gross	332,010	446,195	373,550
Consulting fees - capitalized	(116,600)	(154,350)	(82,800)
Rent and office costs	215,295	257,670	214,140
Part 12.6 Tax	7,820	-	115,835
	$ 625,510	$ 872,790	$ 833,955

- In 2008 general and administrative expenses decreased by $247,280 or 28.33% to $625,510 as compared to $ 872,790 in 2007.
- In 2008 the Company adopted certain measures to reduce G&A cash expenses.
- Accounting and legal fees incurred in 2008 were $123,765 down $53,020 or 30% as compared to $176,785 in 2007.
- The Company incurred $2,280 in accounting and legal fees in the North Sea as compared to $5,530 in 2007.

Stock based compensation

- There were no stock options issued or exercised in the twelve months ended December 31, 2008, therefore, no stock based compensation costs were booked in 2008.
- Stock based compensation costs of $2,258,370 were calculated using the Black Scholes model for options granted in the first and second quarters of 2007. Of this amount $406,640 was capitalized to property and equipment at December 31, 2007.

Net earnings (loss)

For the year ended December 31, 2008 the Company recorded a consolidated net loss of $5,430,680 ($0.07 loss per share).

Net earnings (loss):	**2008**	**2007**	**2006**
Canada	$ (2,722,875)	$ (1,698,360)	$ (1,202,775)
United Kingdom	(1,437,345)	(4,385,025)	(26,870)
Consolidated net loss	$ (4,160,220)	$ (6,083,385)	$ (1,229,645)
Loss per share	$ (0.07)	$ (0.11)	$ (0.03)

- For the year ended December 31, 2008 the loss before tax increase in Canada was due to an impairment of oil and gas properties in the Northwest Territories in the amount of $3,796,330, coupled with a $362,570 increase in net revenues earned mitigated by a general decrease in field operating and general and administrative expenses totaling $379,160.
- In addition at December 31, 2008 the Company recorded a $1,201,000 recovery of income taxes as compared to an expense of $66,850 at December 31, 2007.
- The decreased net loss in United Kingdom is attributed to a reduction in impairment charges of $1,435,375 in 2008 as compared to $4,280,860 in 2007.

Financial Instruments

As disclosed in Note 3 to the consolidated financial statements, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, foreign exchange risk, fair value risk and industry credit risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

a) Fair value of financial assets and liabilities: The carrying value of accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their relatively short periods to maturity. The classification of financial instruments and their respective carrying values and fair values are as follows:

	2008		**2007**	
	Carrying Value ($)	**Fair Value ($)**	**Carrying Value ($)**	**Fair Value ($)**
Financial assets:				
Receivables	$ 154,695	$ 154,695	$ 1,227,990	$1,227,990
Total financial assets	$ 154,695	$ 154,695	$ 1,227,990	$1,227,990
Financial liabilities				
Payables and accruals	$ 1,257,310	$1,257,310	$ 4,207,115	$4,207,115
Total financial liabilities	$ 1,257,310	$1,257,310	$ 4,207,115	$4,207,115

b) **Credit risk:** Substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Though, the Company markets its oil to only one marketer revenues are not significant so that the exposure to the Company is minimized. Management does not believe that there is significant credit risk arising from any of the Company's customers or partners, as all amounts outstanding at December 31, 2008 have been received subsequent to year end. The maximum exposure to loss arising from accounts receivable at any given time is equal to their total carrying amounts on the balance sheet. During 2008 the Company recorded an allowance for doubtful accounts in the amount of $25,630 related to uncollectible amounts in the Company's 100% owned U.K. subsidiary, and recorded the corresponding amount as an expense. The following table presents the aging the Company's accounts receivable:

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 154,695	$ 138,060	$ -	$ -	$ 16,635

c) **Interest rate risk:** The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company's interest rate price risk. In addition, the Company is also exposed to interest rate risk to the Canada Revenue Agency for interest on unexpended funds on the Company's flow through share obligations from February 1 to December 31 of the each year. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations. A 1% increase or decrease in interest rates would have no material impact on the cash flow of the Company during the year ended December 31, 2008.

d) **Foreign currency risk:** The Company is exposed to foreign currency risk as the Company holds cash and cash equivalents on hand that are denominated in British pounds and is exposed to foreign currency fluctuations on its operations in the United Kingdom as these are denominated in British pounds. At December 31, 2008, the carrying amount of the Company's foreign currency denominated net monetary assets was approximately $563,000. Assuming all other variables remain constant, a fluctuation of one cent in the exchange rate of the Canadian dollar to the British pound would not result in a material change in income

e) **Liquidity risk:** Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. At December 31, 2008 the Company's accounts payable and accrued liabilities were $1,257,310 all of which are due for payment within normal terms of trade which is generally between 30 and 60 days. The Company regularly reviews its accounts payable balances and follows up on amounts past due. The Company's financial liabilities are summarized below:

Total payables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 1,257,310.00	$ 263,935.00	$ 54,070.00	$ 32,855.00	$ 906,450.00

Investing Activities

Year ended December 31,	2008	2007	2006
Capital expenditures			
Canada	9,676,580	$ 3,834,760	$ 5,504,000
United Kingdom	4,612,850	5,177,305	929,410
	$ 14,289,430	$ 9,012,065	$ 6,433,410

- Capital expenditures in 2008 were $14,289,430 (2007 – $9,012,065) of which $9,676,580 or 68 % (2007 – 43%, 2006 – 86%) is related to exploration activities in the Northwest Territories and $4,612,850 or 32% (2007 – 57%, 2006 – 14%) is related to exploration activities in the U.K. North Sea.
- Capital expenditures of $6,668,145 relate to costs incurred for the drilling of two exploration wells located on EL-423 located in the Central Mackenzie Valley NWT and $2,232,000 for seismic costs incurred in the Colville Hills, NWT area.
- In the North Sea capital expenditures include $3.9 million for the Company's 11.11% share of the cost to drill the Maria 15/18a-12 well.
- To December 31, 2008 the Company has spent C$629,000 for seismic and drilling related expenditures on the Bowmore License P1465.

Obligations

- Under the terms of the flow-through agreements undertaken in 2007, the Company had flow-through share obligations of $Nil at December 31, 2008 (2007 - $3,498,025).
- 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 $53,000 plus occupancy costs to the end of the lease.
- The Company has established a Royalty Incentive Agreement for employees, consultants and senior executives that are also directors. Under the plan, the compensation committee issues units on an annual basis to employees, consultants and directors. The units entitle the holder to receive an annual payment based on 2% of the Company's annual production revenue, net of transportation and processing fees. Under the terms of the agreement once the Company has recovered payout of 100% of its cumulative annual capital expenditures the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees.

Related Party Transactions

Certain officers who are 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. The amounts paid to officers (directors) and consultants during for the period ending December 31, 2008 are provided below, these costs are included in general and administrative expenses on the consolidated statements of earning (loss), deficit and comprehensive earnings (loss) at December 31, 2008:

- Compensation paid to executive officers was $108,000 (2007 - $17,000) of which $66,000 (2007 - $6,950) was capitalized to property and equipment for the year ended December 31, 2008.
- Director's fees paid to the Chair of the Company's audit committee were $14,500 (2007 - $30,000).
- Legal fees of $6,310 (2007 - $30,725) were paid to a law firm in which a Director is a partner, for services provided in the normal course of business.
- At December 31, 2008 royalties of $16,745 (2007 - $10,510) were paid to officers and consultants pursuant to the Company's Royalty Incentive Plan.
- During the year two directors of the Company were also directors of the Company's 50% owned subsidiary Sidox Chemicals Canada Ltd.

Summary of Fourth Quarter Results

Selected financial information:

	Three months ended December 31,		Three months ended September 30,	
	2008	2007	2008	2007
Statement of operations				
Sales volumes - BOE/ day (Canada)	42	38	33	44
Oil revenues, net (Canada)	$ 143,995	$ 155,930	$ 255,490	$ 186,915
Interest income				
Canada	$ 77,685	$ 340,850	$ 79,070	$ 254,240
United Kingdom	$ 2,740	$ 6,745	$ 1,750	$ 6,695
Consolidated interest income	$ 80,425	$ 347,595	$ 80,820	$ 260,935
Net earnings (loss) and comprehensive earnings (loss)				
Canada	$ (1,418,245)	$ 3,504	$ 101,980	$ 89,790
United Kingdom	$ (1,503,285)	$ (4,338,019)	$ (12,795)	$ (68,500)
Consolidated net earnings (loss) and comprehensive earnings (loss)	$ (2,921,530)	$ (4,334,515)	$ 89,185	$ 21,290
Net earnings(loss) per share				
- basic and diluted	$ (0.05)	$ (0.08)	0.00	0.00
Cash flow				
Net cash provided (used in)				
Operating activities	$ 26,495	$ 873,355	$ 438,345	$ (143,450)
Investing activities	$ (579,460)	$ (4,802,560)	$ (424,835)	$ (2,040,340)
Financing activities	$ -	$ 190,000	$ -	$ -

Sales Volumes

- Sales volumes for the three months ended December 31, 2008 were 42 Bbl/day an increase of 27.27% as compared to 33 Bbl/ day for the three months ended September 30, 2008 and consistent with 39 Bbl/day for the three months ended June 30, 2008.

Gross revenues and royalties

- Oil revenue in Q4 was $202,230 a decrease of 38.96% compared to Q3.
- In Q4 the Company paid royalties of $34,315 a decrease of 54.75% compared to $75,840 in Q3.
- The decrease in oil revenues and royalties is the result of a 48% decrease in oil price ($108.99 per barrel in Q3 versus $56.66 per barrel in Q4), mitigated by a 17.40% increase in oil sales.

Interest income

- In Q4 interest income from short term investments in Canada was $77,865 compared to $79,070 in Q3.
- Interest income of $2,740 (Q-3 2008 - $1,750) was earned on cash balances in the United Kingdom

Field operating costs

- In Q4 operating costs were $89,080 compared to $76,380 in Q3. The increase in operating costs was the result of an increase in facility costs at Alderson.
- Operating costs remained consistent at $24.96 per/Bbl compared to $25.12 in Q-3.

Depletion, depreciation and impairments

Depletion, depreciation and impairments for the three months ended December 31, 2008 and September 30, 2008 respectively consist of the following

December 31, 2008

Depletion, depreciation and impairments	Canada	U.K	Total
Depletion of natural gas properties	$ 174,980	$ -	$ 174,980
Impairment of natural gas properties	2,363,250	1,435,375	3,798,625
Amortization of Sidox license	1,250	-	1,250
Depreciation of equipment	1,040	-	1,040
	$ 2,540,520	$ 1,435,375	$ 3,975,895

September 30, 2008

Depletion, depreciation and impairments	Canada	U.K	Total
Depletion of natural gas properties	$ 52,250	$ -	$ 52,250
Impairment of natural gas properties	3,410	-	3,410
Amortization of Sidox license	1,250	-	1,250
Depreciation of equipment	1,110	-	1,110
	$ 58,020	$ -	$ 58,020

- Depletion of oil and gas properties for the three months ended December 31, 2008 was $174,980 or $48.86 per Bbl, an increase of $122,730 or $31.68 per Bbl as compared to $52,250 or $17.19 per Bbl for the third quarter of 2008. The increase in depletion is due to an increase of $2,650,000 in the depletable net cost base at December 31, 2008 to $8,615,000 from $5,965,000 at September 30, 2008.
- The increase in depletion and impairment charges in Q4 is a result of the costs for two D&A wells in the Central Mackenzie Valley NWT, together with and an impairment charge of $1,435,375 (2007 - $4,280,860) relating to the cost of a dry hole in the North Sea.
- At December 31, 2008 an impairment test was performed which calculates the amount by which the carrying amount of capitalized costs related to producing properties exceeds the fair value of the reserves as estimated by the Company's reservoir engineers at December 31, 2007. As a $2,363,250 (Q-3 2008- $3,410, Q-1 $1,429,670) 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.

General and administrative expenses

Three months ended:	December 31, 2008	September 30, 2008	June 30, 2008
Investor relations	$ 12,540	$ 750	$ 11,455
Filing and Transfer Fees	$ 2,300	$ 4,500	$ 7,440
Accounting and Legal Fees	$ 93,650	$ 13,640	$ 4,265
Consulting Fees - gross	$ 61,350	$ 62,850	$ 81,055
Consulting Fees - capitalized	$ (24,750)	$ (24,750)	$ (26,900)
Rent and office Costs	$ 31,170	$ 49,865	$ 81,170
Part 12.6 Tax	$ 7,820		
	$ 184,080	$ 106,855	$ 158,485

- In Q4 general and administrative expenses were $184,080, an increase of $76,225 or 71.33% as compared with $106,855 in Q3.
- The increase in G&A is due to year end accruals for audit fees and Part 12.6 tax totaling $85,000.
- General and administrative expenses decreased 32.58% in Q3 to $106,855 from $159,485 in Q2.

Net earnings (loss)

Net earnings (loss):	Q4 – 2008	Q3 – 2008	Q2- 2008
Canada	$ (1,418,245)	$ 101,980	$ (1,483,490)
United Kingdom	(1,503,285)	(12,795)	(47,005)
Consolidated earnings/loss	$ (2,921,530)	$ 89,185	$ (1,530,495)
Loss per share	$ (0.05)	$ 0.00	$ (0.02)

The increased loss in Q4 as compared with Q3 is a result of the following adjustments.

- An impairment charge on oil and gas properties totaling $3,796,330, consisting of $2,458,065 in the NWT and $1,434,735 in the North Sea resulting in an increase of $122,000 in depletion expense in Q-4 2008.
- Accrual for year end audit fees, engineering costs and Part 12.6 tax of $85,000.
- A decrease in net oil revenue of $112,000 as a result of a decrease in oil prices.
- A write down of receivables of $27,000 in Company's U.K. subsidiary deemed uncollectible at December 31, 2008.

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, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March. 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008
Sales volumes – Bbl/ day	36	35	44	38	46	39	33	38
Production volumes – Bbl/ day (actual day)	41	49	54	46	41	39	39	38
Revenues, net ($)	130,035	134,605	186,915	155,930	268,065	302,510	255,490	143,995
Net earnings (loss) - ($)	(415,770)	(1,060,295)	21,290	(4,334,515)	202,620	(1,530,495)	89,185	(2,921,530)
Net loss per share– basic & diluted - ($)/share	(0.01)	(0.02)	(0.00)	(0.08)	0.003	(0.03)	(0.02)	(0.05)
Total assets	47,245,705	46,772,450	47,572,995	46,596,795	49,532,445	41,857,440	42,763,695	38,255,075
Working capital ($)	32,305,425	31,204,960	29,631,060	22,407,855	14,452,115	10,273,020	8,813,135	9,888,615
Restricted cash on deposit ($)	1,538,125	1,912,430	1,912,430	2,267,175	2,267,175	2,267,175	2,267,175	2,267,175
Funds flow form operations ($)	2,529	(60,650)	72,510	54,340	272,575	133,320	148,400	26,495

Other Items

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	December 31, 2008	April 20, 2009
Common shares outstanding	59,578,965	59,578,965
Options outstanding	1,015,000	1,015,000
Fully diluted	60,593,965	60,593,965

Additional details on the shares, options and warrants outstanding at December 31, 2008 are available in the Notes to the December 31, 2007 audited consolidated financial statements.

Accounting Policy Changes

On January 1, 2008, the Company adopted Section 1535, Capital Disclosures Section 3862, and Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation.

Capital Disclosures

CICA Section 1535 specifies the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance.

Financial Instruments

CICA Sections 3862 and 3863 specify standards of presentation and enhanced disclosures on financial instruments. These Sections require the Company to increase disclosure on the nature and extent of risks arising from financial instruments and how the entity manages those risks.

General Standards for Financial Statements Presentation

The CICA has amended Section 1400, "General Standards of Financial Statement Presentation", which is effective for interim periods beginning on or after January 1, 2008, to include requirements to assess and disclose the Company's ability to continue as a going concern.

Inventories

Effective January 1, 2008, the CICA has issued accounting standard Section 3031 "Inventories". Section 3031 "Inventories" provides guidance on the method of determining the cost of the Company's materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The Company currently reflects materials and supplies at the lower of cost and replacement value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 "Inventories" did not impact the Company's financial statements.

The adoption of these new accounting standards did not impact the amounts reported in the Company's financial statements; however, it did result in expanded not disclosure (see Note 10).

New Accounting Pronouncements

The Company is assessing the new and revised accounting pronouncements that have been issued that are not yet effective:

- The CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.
- In February 2008, the Canadian Institute of Chartered Accountants ("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 Section 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 its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.
- In January 2009, the AcSB issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.
- In January 2009, the AcSB issued Sections 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated 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.

International Financial Reporting Standards Update

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company. The AcSB requires IFRS compliant financial statements are prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with December 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ending December 31, 2010. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements. The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During the remainder of 2009, the Company will continue to evaluate the impact of IFRS on the Company and develop and put in place a plan for the conversion to IFRS. If the Company decides not to early adopt the standards, the actual conversion work will occur during 2009 and 2010, in anticipation of the preparation of the January 1, 2010 balance sheet which will be required for comparative purposes for all periods ending in 2011.

Operational and other business risks

Current Economic Conditions

In 2008 the global credit market crisis, the volatility in the price of oil and natural gas, the recession in Canada and the slowdown of economic growth in the rest of the world has created a substantially more volatile business environment, These conditions will limit certain of the Company's previously planned business development activities and it will continue to provide risk for the Company's future.

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, 2008 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 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.

Contingent Resources

The resources assigned to the Company's properties have been classified as contingent. The Canadian Oil and Gas Evaluation Handbook (COGEH) Volume 1 defines contingent resources as quantities of oil and gas estimated to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be sub classified based on project maturity and/or characterized by their economic status.

- Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulations. If probabilistic methods are used this term reflects a P90 confidence level.
- Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used this term is a measure of the central tendency of the uncertainty distribution (most likely/mode, P50/median, or arithmetic average/mean).
- High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P10 confidence level.

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 faculties, 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.

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.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "strategy" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may

cause actual results or events to differ materially from those anticipated in such forward-looking statements are based on reasonable assumptions but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this MD&A should not be unduly relied upon. These statements are made only as of the date of this MD&A.

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

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

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

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

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

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

Other information

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