

International Frontier Resources Corporation
Consolidated Interim Financial Statements

March 31, 2006

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International Frontier Resources Corporation
Consolidated Financial Statements
For the three month interim period ended
March 31, 2006

(unaudited – prepared by Management)

National Instrument 51-102 Notice

The consolidated financial statements of International Frontier Resources Corporation (“the Company”) as at March 31, 2006 have been compiled by management.

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

International Frontier Resources Corporation

Consolidated Interim Balance Sheets

(unaudited – prepared by Management)

	March 31, 2006	December 31, 2005
Assets		
Current		
Cash and cash equivalents	\$ 10,923,354	\$ 12,905,913
Receivables	1,560,657	1,930,590
Inventory	82,125	82,125
Prepays	<u>142,584</u>	<u>132,412</u>
	12,708,720	15,051,040
Refundable Deposits (Note 4)	2,016,225	1,441,325
Property and equipment (Note 5)	8,671,793	6,998,635
Intangibles (Note 6)	<u>43,750</u>	<u>45,000</u>
	<u>\$ 23,440,488</u>	<u>\$ 23,536,000</u>
Liabilities		
Current		
Payables and accruals	\$ 153,244	\$ 288,565
Asset retirement obligations (Note 7)	205,905	201,390
Future income taxes (Note 8)	2,247,772	393,368
Convertible debentures (Notes 9)	<u>62,648</u>	<u>62,648</u>
	<u>2,669,569</u>	<u>945,971</u>
Shareholders' Equity		
Share capital (Note 10)	23,379,265	25,111,254
Contributed surplus (Note 10)	4,058,446	3,928,117
Equity component of convertible debentures	2,352	2,352
Deficit	<u>(6,669,144)</u>	<u>(6,451,694)</u>
	<u>20,770,919</u>	<u>22,590,029</u>
	<u>\$ 23,440,488</u>	<u>\$ 23,536,000</u>

Contingent liabilities (Note 13)

Subsequent events (Note 17)

On behalf of the Board

(Signed) "Wm. Patrick Boswell" Director (Signed) "W.J. McNaughton" Director

See accompanying notes to the consolidated financial statements.

International Frontier Resources Corporation
Consolidated Interim Statements of Loss and Deficit

(unaudited – prepared by Management)

Three months ended March 31,	2006	2005
Revenue		
Oil sales	\$ 200,704	\$ 173,181
Less: gross overriding royalties	<u>(43,903)</u>	<u>(44,438)</u>
	156,801	128,743
Interest and other income	<u>83,504</u>	<u>57,652</u>
	<u>240,305</u>	<u>186,395</u>
Expenses		
Field operating costs	99,285	83,181
Depletion and depreciation	36,023	32,892
Accretion of asset retirement obligations (Note 7)	5,554	6,171
General and administration	133,529	104,872
Stock based compensation	194,679	1,423,260
Interest and bank charges	<u>4,962</u>	<u>4,032</u>
	<u>474,032</u>	<u>1,654,408</u>
Loss before income taxes	(233,727)	(1,468,013)
Future income tax recovery (Note 8)	<u>(16,277)</u>	<u>(20,698)</u>
Net loss	\$ <u>(217,450)</u>	\$ <u>(1,447,315)</u>
Net loss per share		
Basic (Note 11)	\$ <u>(0.005)</u>	\$ <u>(0.04)</u>
Diluted (Note 11)	\$ <u>(0.005)</u>	\$ <u>(0.04)</u>
<hr/>		
Deficit, beginning of year	\$ (6,451,694)	\$ (4,614,460)
Net loss	<u>(217,450)</u>	<u>(1,447,315)</u>
Deficit, end of year	\$ <u>(6,669,144)</u>	\$ <u>(6,061,775)</u>

See accompanying notes to the consolidated financial statements.

International Frontier Resources Corporation

Consolidated Interim Statements of Cash Flows

(unaudited – prepared by Management)

Three months ended March 31

2006

2005

Operating

Net loss	\$ (217,450)	\$ (1,447,315)
Depletion and depreciation	36,023	32,892
Accretion of asset retirement obligations	5,554	6,171
Stock based compensation	194,679	1,423,260
Gain on sale of investment	-	(4,746)
Future income tax recovery	<u>(16,277)</u>	<u>(20,698)</u>
	2,529	(10,436)
Change in non-cash operating working capital (Note 15)	<u>545,730</u>	<u>(162,580)</u>
	<u>548,259</u>	<u>(173,016)</u>

Investing

Additions to petroleum and natural gas properties	(1,709,627)	(695,346)
Change in non-cash investing working capital (Note 15)	<u>(321,291)</u>	<u>(1,102,489)</u>
	<u>(2,030,918)</u>	<u>(1,797,835)</u>

Financing

Shares issued for cash	75,000	2,917,025
Change in non-cash financing working capital (Note 15)	<u>-</u>	<u>(53,130)</u>
	<u>75,000</u>	<u>2,863,895</u>

Net increase in cash and cash equivalents (1,407,659) (893,044)

Cash and cash equivalents,

Beginning of year	<u>14,347,238</u>	<u>10,313,233</u>
End of year	\$ <u>12,939,579</u>	\$ <u>11,206,277</u>

Cash and cash equivalents are represented by:

Cash and temporary investments	\$ 10,923,354	\$ 10,854,777
Restricted cash	<u>2,016,225</u>	<u>351,500</u>
	\$ <u>12,939,579</u>	\$ <u>11,206,277</u>

See accompanying notes to the consolidated financial statements.

International Frontier Resources Corporation

Notes to the Consolidated Interim Financial Statements

(unaudited – prepared by Management)

March 31, 2006

1. Nature of operations

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

The costs associated with the acquisition and development thereon to date is recognized in these consolidated financial statements in accordance with the accounting policies outlined in Note 2. Accordingly, their carrying value represents costs incurred to date and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable petroleum and natural gas reserves.

2. Summary of significant accounting policies

Basis of presentation

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

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized below.

Measurement uncertainty

The preparation of consolidated financial statements requires management to make estimates that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

The most significant estimate is related to the recoverability of petroleum and natural gas properties. Amounts recorded for depletion and depreciation, asset retirement obligations and amounts used in impairment test calculations are based upon estimates of petroleum and natural gas reserves and future costs to develop those reserves. By their nature, these estimates of reserves, costs and related future cash flows are subject to uncertainty, and the impact on the consolidated financial statements of future periods could be material.

The amounts recorded relating to the fair value of stock options issued are based on estimates of the future volatility of the Company's share price, expected lives of the options, expected dividends and other relevant assumptions.

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

2. Summary of significant accounting policies (Continued)

Petroleum and natural gas interests

The Company follows the full cost method of accounting for petroleum and natural gas operations as determined by the Canadian Institute of Chartered Accountants ("CICA"), Accounting Guideline 16 ("AcG-16"), whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both successful and unsuccessful wells, asset retirement costs and overhead charges directly related to exploration activities. Proceeds from the sale of oil and gas properties will be applied against the capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation. For depletion and depreciation purposes, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

Depletion of exploration and development costs and depreciation of production equipment is provided using the unit-of-production method based upon estimated proved petroleum and natural gas reserves. The costs of significant undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves are included in costs subject to depletion.

At each reporting period the Company performs an impairment test to determine the recoverability of capitalized costs associated with reserves. An impairment loss is recognized in net earnings when the carrying amount of a cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves plus the costs of unproved properties. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of the fair value of proved and probable reserves and the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

Asset retirement obligations

The Company recognizes the fair value of estimated asset retirement obligations on the consolidated balance sheet when a reasonable estimate of fair value can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long lived assets such as well sites, pipelines and facilities. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Asset retirement costs are amortized using the unit-of-production method and are included in depletion and depreciation in the consolidated statements of loss and deficit. Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion of asset retirement obligations in the consolidated statements of loss and deficit.

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

2. Summary of significant accounting policies (Continued)

Joint venture operations

Substantially all of the Company's exploration and production activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The estimated tax benefits transferred to shareholders upon renouncement are recorded as an increase to future income taxes and a reduction to share capital at the time the resource expenditure deductions are renounced.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less and refundable deposits. Bank borrowings are considered to be financing activities.

Depreciation

Depreciation of office furniture and equipment is provided on a diminishing balance basis over the estimated useful lives of the assets at annual rates ranging from 20% to 30%.

Intangible assets

The Company's proportionate share of an exclusive licensing agreement for the Sidox product in Canada that is held by its subsidiary Sidox Chemicals Canada Ltd. The agreement covering an exclusive license for Canada has a ten-year term and costs related thereto have been amortized on a straight line basis over that period.

Inventory

Inventory includes product that is stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis.

Income taxes

Income taxes are recorded using the liability method. Future income taxes are calculated based on temporary differences arising from the difference between the tax basis of an asset and liability and its carrying value using substantively enacted tax rates. Changes in income tax rates that are substantively enacted are reflected in the accumulated future income tax balances in the period the change occurs.

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

2. Summary of significant accounting policies (Continued)

Per share amounts

The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market rate for the period.

Financial instruments

The Company has estimated the fair value of its financial instruments, which include cash and cash equivalents, receivables, payables and accruals, and convertible debentures. The Company has used valuation methodologies and market information available at year end to determine fair value. Unless otherwise disclosed, there are no significant differences between the carrying value of these financial instruments and their estimated fair value.

Stock-based compensation

The Company grants stock options to its key consultants, directors, officers and employees upon employment and periodically during the period of employment.

The Company uses the fair-value method of accounting for stock options granted to key consultants, employees and directors after January 1, 2003. Compensation costs are recognized over the vesting period. Fair values are determined using the Black-Scholes option pricing model. The Company used the intrinsic value method of accounting for stock options granted to employees prior to January 1, 2003.

Revenue recognition

Revenue associated with the production and sales of crude oil, natural gas and natural gas liquids owned by the Company are recognized when title passes from the Company to the purchaser. Other revenue is recognized in the period that the service is provided to the customer.

Foreign currency translation

The accounts of the Company's foreign subsidiary are translated into Canadian dollars under the temporal method of accounting, whereby monetary items are translated at exchange rates in effect at the balance sheet date and non-monetary translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in the consolidated statement of loss and deficit.

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

3. Investment in Sidox Chemicals Canada Ltd.

In June 2005, the patent owner of Sidox exercised its right to acquire 50% of the issued and outstanding shares of the Company's wholly owned subsidiary Sidox Chemicals Canada Ltd. ("Sidox Canada"). In conjunction with this reorganization, Sidox Canada cancelled its outstanding shares and issued new shares. The Company purchased 50% of the outstanding shares of Sidox Canada for a cash consideration of \$135,000 and payment in kind of \$90,000 through provision of 2 tonnes of Sidox material at \$45,000 per tonne. In addition, the Company was obligated to pay \$100,000 on behalf of Sidox Canada to acquire an exclusive licensing agreement to the patented technology Sidox in Canada. The investment in Sidox Canada is subject to joint control and accordingly has been proportionately consolidated in these financial statements at March 31, 2006.

The Company's proportionate share of balances included in these consolidated financial statements related to Sidox Canada is:

	Three months ended	Year ended
	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Assets		
Cash	\$ 49,989	\$ 49,985
Inventory	82,125	82,125
Intangibles	<u>43,750</u>	<u>45,000</u>
	175,864	177,110
Liabilities		
Payables	<u>57,500</u>	<u>50,000</u>
Net assets	<u>\$ 118,364</u>	<u>\$ 127,110</u>
Revenues	\$ -	\$ -
Expenditures	<u>8,745</u>	<u>97,890</u>
Net Loss	<u>\$ 8,745</u>	<u>\$ 97,890</u>
Cash used in operating activities	\$ 6	\$ (53,181)
Cash from investing activities	\$ -	\$ 101,793
Cash used in financing activities	\$ -	\$ -

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

4. Refundable Deposits

As at March 31, 2006, the Company has provided an assignment of cash totalling \$58,575 (2005 - \$58,575) as security on the irrevocable standby letter of credit against lease rentals on Northwest Territories Exploration License No. 391. As at March 31, 2006, EL-391 has expired.

As at March 31, 2006, the Company has provided an assignment of cash totalling \$41,500 (2005 - \$41,500) as security on the irrevocable standby letter of credit against refundable deposits on Northwest Territories Exploration License No. 416 (see Note 14). The work program on EL-416 and has been completed and an application has been made to refund the Company's \$41,500 deposit.

As at March 31, 2006, the Company has provided an assignment of cash totalling \$310,000 (2005 - \$310,000) as security on the irrevocable standby letter of credit against refundable deposits on Northwest Territories Exploration License No. 423 (Colville Hills) - (see Note 13).

As at March 31, 2006, the Company has provided an assignment of cash totalling \$781,250 (2005 - \$781,250) as security on the irrevocable standby letter of credit against refundable deposits on Northwest Territories Exploration License No. 429 (Colville Hills) - (see Note 13).

As at March 31, 2006, the Company has provided an assignment of cash totalling \$250,000 (2005 - \$250,000) as security on the irrevocable standby letter of credit against refundable deposits on Northwest Territories Exploration License No. 432 (see Note 13).

As at March 31, 2006, the Company has provided an assignment of cash totalling \$500,000 US (2005 - \$nil) pursuant to the terms and conditions of a farm-in agreement covering the Company's share of the costs incurred on Quad 14 in the UK North Sea.

5. Property and equipment

March 31, 2006

	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net Book Value</u>
Petroleum and natural gas properties	\$ 10,454,017	\$ 1,808,349	\$ 8,645,668
Office furniture and equipment	<u>78,209</u>	<u>52,084</u>	<u>26,125</u>
	<u>\$ 10,532,226</u>	<u>\$ 1,860,433</u>	<u>\$ 8,671,793</u>

December 31, 2005

	<u>Cost</u>	<u>Depletion and Depreciation</u>	<u>Accumulated Net Book Value</u>
Petroleum and natural gas properties	\$ 8,746,086	\$ 1,775,238	\$ 6,970,848
Office furniture and equipment	<u>78,209</u>	<u>50,422</u>	<u>27,787</u>
	<u>\$ 8,824,295</u>	<u>\$ 1,825,660</u>	<u>\$ 6,998,635</u>

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

5. Property and equipment (continued)

The Company has financed a portion of its exploration and development activities from the proceeds of flow-through share issues. As a result, petroleum and natural gas properties with a cost of \$6,231,264 (2005 - \$4,901,394) have no cost basis for income tax purposes. During the period, \$45,533 (2005 - \$184,879) of overhead expenses directly related to exploration and development activities were capitalized and \$1,544 (2005 - \$10,529) of interest expense was capitalized. Also during the period, \$Nil (2005 - \$72,438) of expenses incurred in conducting a pilot project to test the Sidox product were capitalized to petroleum and natural gas properties.

As at March 31, 2006, undeveloped properties with a cost of \$7,935,810 (2005 - \$6,222,050) included in petroleum and natural gas properties have not been subject to depletion.

As at March 31, 2006, \$Nil (2005 - \$44,833) impairment of petroleum and natural gas assets has been recorded to reflect the excess carrying amount of assets over fair value of future reserves. This amount is included in depletion and depreciation on the consolidated statements of loss and deficit.

6. Intangible Assets

March 31, 2006

	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net Book Value</u>
Sidox license	\$ <u>45,000</u>	\$ <u>1,250</u>	\$ <u>43,750</u>

December 31, 2005

	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net Book Value</u>
Sidox license	\$ <u>50,000</u>	\$ <u>5,000</u>	\$ <u>45,000</u>

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

7. Asset retirement obligations

The Company's asset retirement obligations result from net ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is approximately \$410,000. A credit-adjusted risk-free rate of 9% was used to calculate the fair value of the asset retirement obligations. A reconciliation of the asset retirement obligations is provided below:

	Three months ended	Year ended
	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Balance, beginning of year	\$ 201,390	\$ 232,752
Liabilities incurred	-	16,537
Liabilities settled	-	(69,610)
Accretion expense	<u>4,515</u>	<u>21,711</u>
Balance, end of year	<u>\$ 205,905</u>	<u>\$ 201,390</u>

8. Income taxes

- a) The total provision for income taxes differs from the expected amount calculated by applying the combined federal and provincial tax rates of approximately 33.60% (2005 - 33.60%) to loss before income taxes. This difference results from the following items:

	Three months ended	Year ended
	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Loss before income taxes	\$ <u>(233,727)</u>	\$ <u>(2,013,113)</u>
Expected tax recovery at combined federal and provincial statutory rates	\$ (78,532)	\$ (676,406)
Increase (decrease) resulting from:		
Statutory rate change	-	(85,000)
Resource allowance	5,082	8,723
Stock-based compensation	65,412	524,983
Valuation allowance	88,331	88,331
Other	<u>(96,570)</u>	<u>(36,510)</u>
Future income tax recovery	<u>\$ (16,277)</u>	<u>\$ (175,879)</u>

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

8. Income taxes (continued)

b) Future income taxes consist of the following temporary differences:

	<u>March 31, 2006</u>	December 31, <u>2005</u>
Excess of carry value of property and equipment over tax values	\$ 3,033,515	\$ 1,168,160
Asset retirement obligations	(69,184)	(67,667)
Share issue costs	(247,766)	(252,726)
Non-capital losses carry-forwards	(439,407)	(427,793)
Other	(29,386)	(26,606)
	<u>\$ 2,247,772</u>	<u>\$ 393,368</u>

9. Convertible debentures

On June 4, 2004, the Company issued convertible redeemable debentures for total proceeds of \$975,000. The debentures have a term of four years, pay interest at a rate of 9.5% per year and are convertible into common shares at \$0.60 per share in year one, \$0.65 per share in year two, \$0.70 per share in year three and \$0.75 per share in year four.

The Company's convertible debentures are presented in their component parts. The debt component represents the present value of the payment obligations, interest and principal, to be satisfied in cash, discounted at the rate of interest that would be applicable to a debt-only instrument of comparable term and risk. The residual amount of the debenture represents the equity component and is presented in shareholders' equity. These component parts have been measured at their respective estimated fair values at the time the convertible debentures were originally issued.

During the period ended December 31, 2005 \$910,000 of debentures had been converted into 1,512,821 common shares of the Company. There were no debentures converted for the three month period ended March 31, 2006. At March 31, 2006, the fair value of the remaining \$65,000 of convertible debentures is approximately \$62,648.

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

10. Share capital

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

b) Issued:	March 31, 2006		December 31, 2005	
	Number of Shares	Amount	Number of Shares	Amount
Common shares				
Beginning of year	40,247,468	\$ 25,111,254	31,956,580	\$ 15,458,255
Issued for cash	-	-	5,000	2,250
Issued upon exercise of warrants	-	-	4,183,070	3,543,848
Issued upon exercise of options	50,000	139,350	490,000	425,350
Issued upon conversion of debentures	-	-	262,818	160,000
Issued upon acquisition of properties	-	-	75,000	150,000
Flow-through shares	-	-	3,275,000	5,567,500
Tax effected flow-through shares	-	(1,870,680)	-	-
Tax effected share issue costs	-	(659)	-	(195,949)
Balance, end of year	40,297,468	\$ 23,379,265	40,247,468	\$ 25,111,254

c) **Stock options:**

The Company has a stock option plan available to key consultants, officers, directors, and employees of the Company. The exercise price of each option approximates the market price for the common shares on the date the option was granted. As at March 31, 2006, 3,420,000 common shares were reserved for issuance under the plan. Options granted under the plan vest upon granting and have a term of five years to expiry.

<u>Outstanding and exercisable</u>	March 31, 2006		December 31, 2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning of year	3,320,000	\$ 1.34	2,810,000	\$ 1.02
Granted	150,000	\$ 1.95	1,000,000	\$ 1.80
Exercised	(50,000)	\$ 1.50	(490,000)	\$ 0.41
Balance, end of year	3,420,000	\$ 1.43	3,320,000	\$ 1.34

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

10. Share capital (continued)

c) Stock options:

<u>Expiry dates</u>	<u>March 31, 2006</u>		<u>December 31, 2005</u>	
	<u>Number of Options</u>	<u>Price</u>	<u>Number of Options</u>	<u>Price</u>
December 23, 2008	690,000	\$ 0.45	690,000	\$ 0.45
January 26, 2008	90,000	\$ 0.50	90,000	\$ 0.50
April 1, 2009	90,000	\$ 0.45	90,000	\$ 0.45
November 16, 2009	600,000	\$ 1.50	650,000	\$ 1.50
December 23, 2009	800,000	\$ 1.60	800,000	\$ 1.60
February 11, 2010	900,000	\$ 1.85	900,000	\$ 1.85
September 15, 2010	100,000	\$ 1.35	100,000	\$ 1.35
January 3, 2011	150,000	\$ 1.95	-	\$ -
	<u>3,420,000</u>	<u>\$ 1.43</u>	<u>3,320,000</u>	<u>\$ 1.34</u>

<u>Exercise Price</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Options Outstanding</u>	<u>Weighted Average Contractual Life (years)</u>	<u>Weighted Average Exercise Price</u>	<u>Options Exercisable</u>	<u>Weighted Average Exercisable Price</u>
\$0.45 - \$0.50	870,000	3.02	\$ 0.46	870,000	\$ 0.46
\$1.35 - \$1.95	<u>2,550,000</u>	<u>4.09</u>	<u>\$ 1.68</u>	<u>2,550,000</u>	<u>\$ 1.68</u>
	<u>3,420,000</u>	<u>3.82</u>	<u>\$ 1.43</u>	<u>3,420,000</u>	<u>\$ 1.43</u>

The weighted average fair market value of options granted for the year ended March 31, 2006 is \$1.29 per option (2005 - \$1.56 per option). The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Risk-free interest rate	3.90%	3.55%
Expected life of options	5	5
Volatility in price of the Company's shares	80.00%	130.00%
Dividend yield rate	0%	0%

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

10. Share capital (continued)

d) Warrants:

Warrants outstanding are as follows:

	March 31, 2006		December 31, 2005	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of year	1,637,500	\$ -	12,430,225	\$ 10
Issued in conjunction with Flow-through shares (iv)	-	-	1,637,500	-
Exercised	-	-	(6,139,670)	(10)
Expired	-	-	(6,290,555)	-
	1,637,500	\$ -	1,637,500	\$ -

i) As of June 11, 2003, the Company acquired 100% of Sidox Canada. The consideration paid for the purchase of all of the issued and outstanding shares of Sidox Canada was the issuance of 2,000,000 non-transferable performance warrants with a carrying value of \$10, entitling holders to acquire one common share at \$0.25 for two years and \$0.35 in the third year. The warrants can only be exercised if Sidox Canada acquires a ten year exclusive license for Sidox and if wells in which the Company holds an interest that have been treated with Sidox achieve a minimum 25% barrel of oil per day increase for a period of 100 days. The purchase of Sidox Canada was from a company controlled by a director of the Company.

At December 31, 2005, all of the conditions of exercise had been met and the 2,000,000 warrants were exercised at \$0.35 for total proceeds of \$700,000.

ii) In conjunction with a private placement occurring May 17, 2004 and closing July 19, 2004, the Company issued 6,080,000 units at \$0.80 per unit for total proceeds of \$4,851,200. Each unit consists of one common share, one Series "A" warrant and one Series "B" warrant. Two Series "A" warrants entitle the holder to acquire one common share at \$1.15 per share for a period of 180 days. Two Series "B" warrants entitle the holder to acquire one common share at \$1.50 for a period of 365 days. Series "B" warrants can only be exercised if the holder has exercised the Series "A" warrant. At March 31, 2006, all of the Series "A" warrants and 1,128,200 of the Series "B" warrants have been exercised and the remaining Series "B" warrants expired on July 1, 2005.

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

10. Share capital (continued)

d) Warrants:

- ii) In conjunction with a private placement occurring September 29, 2004 and closing October 26, 2004, the Company issued 2,530,000 flow-through share units at \$1.35 per unit for total proceeds of \$3,415,500. Each unit consists of one common flow-through share and one-half Series "C" warrant. One full warrant entitles the holder to purchase one additional non-flow through common share at a price of \$1.75 on or before September 30, 2005. A commission of 7.5% was paid to the Underwriters by issuance of 189,750 non-flow through units consisting of one common share and one half warrant having the same terms and conditions as the units comprised in the offering. At March 31, 2006, 264,470 of the Series "C" warrants have been exercised and the remaining Series "C" warrants expired on October 1, 2005.
- iii) In conjunction with a non-brokered private placement occurring November 10, 2004 and closing on December 23, 2004, the Company issued 410,700 flow-through share units at \$1.40 per unit for total proceeds of \$574,980. Each unit consists of one common flow-through share and one-half Series "C" warrant. One full warrant entitles the holder to purchase one additional non-flow through common share at a price of \$1.75 on or before June 30, 2005. The remaining Series "C" warrants expired on July 1, 2005.
- iv) In conjunction with a non-brokered private placement occurring November 3, 2005 and closing on November 24, 2005, the Company issued 3,275,000 flow-through share units at \$1.70 per unit for total proceeds of \$5,567,500. Each unit consists of one common flow-through share and one-half warrant. One full warrant entitles the holder to purchase one additional non-flow through common share at a price of \$1.85 on or before May 24, 2006.

e) Contributed surplus:

	March 31, 2006	December 31, 2005
Balance, beginning of year	\$ 3,928,117	\$ 2,588,519
Value attributed to stock options granted	194,679	1,562,448
Value of stock options exercised	(64,350)	(222,850)
Balance, end of year	\$ 4,058,446	\$ 3,928,117

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

11. Per share amounts

Basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the year. Diluted net loss per common share is computed by dividing net loss by the diluted weighted average number of common shares outstanding for the year. In the calculation of diluted per share amounts, options under the stock option plan are assumed to have been converted or exercised on the later of the beginning of year and the date granted. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Loss per share on a diluted weighted average basis is the same as that presented for basic, as all factors are anti-dilutive.

Weighted average shares outstanding:

	March 31, 2006	December 31, 2005
Basic, beginning of period	40,335,246	35,141,388
Shares issued pursuant to options	1,151,765	611,216
Shares issued pursuant to conversion of debenture	61,764	56,081
Shares issued pursuant to warrants	-	-
Diluted, end of year	41,548,775	35,808,685

In calculating diluted common share amounts for the year ended March 31, 2006, the Company excluded 2,687,500 options and warrants (2005 – 3,987,500) because the exercise price was greater than the average market price of its common shares in those years.

12. Related party transactions

During the year, the Company paid consulting fees to certain officers and directors. Royalties incurred during the year ended December 31, 2005 in conjunction with the Company's Royalty Incentive Plan were included in payables and accruals at December 31, 2005 and were paid to certain officers of the Company in the period ended March 31, 2006. These transactions were measured at the exchange amount which approximated fair market value as set out below:

	Three months ended March 31, 2006	Year ended December 31, 2005
Consulting fees	\$ 48,500	\$ 186,000
Royalty expense	-	20,835
	\$ 48,500	\$ 206,835

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

13. Contingent liabilities

- a) The Company has lodged a letter of credit in the amount of \$41,500 for its share of a \$381,608 refundable deposit on NWT Exploration License No. 416. The letter of credit is secured by an assignment of cash of \$41,500. The Company is contingently liable under the letter of credit for its proportional share of any portion of a \$1,526,430 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-416. The work commitment on EL-416 has been fulfilled and an application has been submitted for the Company's \$41,500.
- b) The Company has lodged a letter of credit in the amount of \$310,000 for its share of a \$6,200,000 refundable deposit on NWT Exploration License No. 423. The letter of credit is secured by an assignment of cash of \$310,000. The Company is contingently liable under the letter of credit for its proportional share of any portion of a \$24,800,000 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-423.
- c) The Company has lodged a letter of credit in the amount of \$781,250 for its share of a \$3,125,000 refundable deposit on NWT Exploration License No. 429 (Colville Hills). The letter of credit is secured by an assignment of cash of \$781,250. The Company is contingently liable under the letter of credit for its proportional share of any portion of a \$12,500,000 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-429.
- d) The Company has lodged a letter of credit in the amount of \$250,000 for its share of a \$1,000,000 refundable deposit on NWT Exploration License No. 432 (Colville Hills). The letter of credit is secured by an assignment of cash of \$250,000. The Company is contingently liable under the letter of credit for its proportional share of any portion of a \$4,000,000 gross work commitment not fulfilled. The deposit will be refunded by \$1 for every \$4 spent on qualified expenditures on EL-416.

14. Financial Instruments

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

a) Commodity price risk

The Company will be subject to commodity price risk for the delivery of natural gas and crude oil.

b) Credit risk

Substantially all of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks.

International Frontier Resources Corporation

Notes to the Consolidated Financial Statements

March 31, 2006

15. Supplemental cash flow information

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

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Receivables	\$ 369,934	\$ 1,179,196
Prepays	(10,172)	18,065
Payables and accruals	<u>(135,323)</u>	<u>(120,938)</u>
	<u>\$ 224,439</u>	<u>\$ 1,318,199</u>
Operating activities	\$ 545,730	\$ (162,580)
Investing activities	(321,291)	(1,102,489)
Financing activities	<u>-</u>	<u>(53,130)</u>
	<u>\$ 224,439</u>	<u>\$ 1,318,199</u>
.		
Interest paid	<u>\$ 1,544</u>	<u>\$ 4,473</u>

16. Commitments

The Company is party to an agreement to lease its premises until December 31, 2006. The annual rent of premises consists of a minimum rent plus occupancy costs. Minimum rent payable for premises until the end of the lease are as follows:

2006	\$ 56,108
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17. Subsequent event

Subsequent to March 31, 2006 a total of 1,521,250 warrants were exercised in relation to the Company's November 24, 2005 private placement (Note 10 d iv)), for proceeds of \$2,814,312.



Overview

International Frontier Resources Corporation is engaged in the exploration for and development of petroleum and natural gas reserves in the Northwest Territories, Canada and in the UK sector of the North Sea. The following is management's discussion and analysis ("MD&A") of International Frontier Resources Corporation's ("International Frontier" or "IFR" or "Britcana" or the "Company") operating and financial results for the period ending March 31, 2006, 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 March 31, 2006 consolidated interim financial statements and related notes, December 31, 2005 audited financial statements and related notes and the Company's 51-101 report filed on Sedar. This MD&A includes subsequent events to May 29, 2006.

Operations Review

Central Mackenzie Valley

In the reporting period drilling operations were completed on the Summit Creek and Stewart prospects a summary of which is as follows;

Stewart D-57

The D-57 exploration well discovered a potential new gas pool in the Cretaceous Little Bear Formation, the first Cretaceous discovery in the Central Mackenzie Valley. The well was drilled to a total depth of 10,322 feet (3,147m) logged and seven drill stem tests were conducted. Drill stem tests one and two tested the Devonian, hydrocarbons were not encountered. Three drill-stem tests were conducted in the primary objective, the Cretaceous Little Bear Sands; drill-stem tests three and four yielded a combined gas flow rate of 5 MMCF/D of sweet gas with good flowing pressures. Fluid analysis obtained from DST 4 indicates some minor condensate may be associated with this test. It is worthy to note that DST flow rates may not be indicative of the wells deliverability as two of the three drill-stem tests are interpreted to show some degree of formation damage.

The Company estimates a gross hydrocarbon column ranging from 164 feet (50 meters minimum case) to 328 feet (100 meters maximum case), reservoir properties within the column vary but overall reservoir quality is good to very good. The Company's geological and geophysical consultants estimate the prospect covers an area ranging from 1,976 acres (8 sq km) to 2,470 acres (10 sq km).

In management's opinion, the D-57 discovery is significant for the following reasons;

- The Cretaceous geological model is less complex than the Devonian geological model.
- There is a greater chance of repeating Cretaceous discoveries.
- Several prospects have been identified on our acreage portfolio.
- As the Cretaceous is relatively shallow, smaller rigs can be used and drilling costs will be significantly less than Devonian well costs. Preliminary drilling costs are in the \$8 to \$10 million range (excluding access road costs).
- It is feasible one rig can drill two wells per season.
- The Cretaceous provides a second exploration target in addition to the Devonian, which should help accelerate commerciality.



Operations Review (continued):

At the time of this MD&A the operator has not provided plans for next winter's drilling season however the Company has allocated funds to drill an appraisal well on the Stewart discovery and one Cretaceous exploration well.

Summit Creek K-44

The K-44 appraisal well was drilled 1.4 kilometers north of the B-44 discovery well. The well was drilled to a depth of 10,300 feet (3,140 m) and cased. Due to drilling problems encountered in the shallow section of the well-bore, ten drilling days were lost, therefore the lower Ordovician (Mt. Kindle) was not penetrated.

The well was drilled deep enough to evaluate reservoirs encountered in the B-44 discovery well that tested approximately 20 MMCF/D and 6,000 barrels of hi-grade oil-condensate. Three drill-stem tests were conducted: DST#1 is interpreted as a tight zone, DST# 2 recovered water and the zone is interpreted as being wet, DST#3 recovered gas cut mud and is interpreted as a damaged fair permeability gas zone. In the Company's opinion the prospective zone encountered in K-44 needs to be perforated, completed and production tested. It is worthy to mention that during B-44 completion operations acid squeezes with very high injection pressures were required before flow rates were established.

The well bore has been suspended in such a fashion, to allow for deepening to test the Mount Kindle should the consortium agree.

The Company's interpretation of information obtained to date on the Summit structure is as follows;

- Two porosity systems are present, one is fracture porosity and the other is matrix porosity. Production testing in B-44 confirmed both porosity systems contributed to flow rates with the fractured system flowing at greater rates.
- K-44 exhibits primarily a matrix dominated porosity system which is more susceptible to damage caused by drilling fluids, and therefore the zone needs to be perforated and acidized to establish production rates.
- Faulting within the structure may result in reservoir compartmentalization.
- The size of the structure, and complexities within the structure, will be better understood with a 3D seismic survey; 3D will also provide valuable information for future well location(s) and reservoir drainage.
- Upon successful completion of K-44 pressure transient work needs to be done to see if the B-44 and K-44 wells are in communication.
- In managements opinion, accurate reserve estimates can not be assigned to the Summit structure until the following occurs;
 - A) The operator submits a Significant Discovery Application and a Significant Discovery License is issued and,
 - B) A 3D survey is acquired and additional wells are drilled and production tested.



Operations Review (continued):

This summer a 2D seismic program (200 kms) will be conducted on EL-423, a license acquired in June 2004 for a work commitment of \$24.5 million. The seismic will assist in selecting drilling location(s) on EL-423. Subject to partner approval an additional 45 kms of 2D seismic will be shot this summer on EL-397 and EL-441 to firm up a location to evaluate a Cretaceous prospect. The strategy currently being employed by the consortium is to spend capital to drill exploration and appraisal wells to prove up reserves for future pipeline nominations.

In 2002 the Company commissioned an independent third party report covering source rock and hydrocarbon generation in the Central Mackenzie Valley, NWT. The report suggested two petroleum provinces exist in the region, one in the proven Norman Wells area and a second south of Norman Wells. The Summit Creek and Stewart discovery wells have confirmed the presence of a second petroleum province in the region. Given the fact that hydrocarbons have been encountered in each of the last four wells, coupled with our existing prospect inventory, management remains confident that our exploration program will result in a significant return on capital.

A map indicating prospect leads is included at the end of this report.

Subsequent Events

- **Colville Hills, NWT** - an 8,000 square kilometer air supported gravity survey was acquired on EL-429 and EL-432. The data is currently being interpreted and will assist the operator, BG Canada, in planning a 2D seismic survey. IFR holds a 25% interest in the two Colville licenses.
- **EL-441, NWT** - The Company participated for a 7.5% interest in a work commitment bid of \$10.5 million for EL-441. With this acquisition the consortium increased its Central Mackenzie Valley acreage portfolio from 592,640 acres to 809,280 acres.
- **Laurel Valley Prospect, UKCS** - A letter agreement was executed with Oilexco for the drilling of a test well on the Laurel Valley prospect located in Quad 14 in the UK sector of the North Sea. Subject to execution of formal agreements, and DTI approval, the Laurel Valley #1 well will commence drilling on or before December 31, 2006. Oilexco will be appointed operator and they will drill the well with the Sedco 712 rig currently under contract to Oilexco. IFR will be carried for a 10.45% interest in the first well drilled on the prospect.
- **Belfry Prospect, UKCS** - A seismic review and farm-in option letter agreement was entered into with the license holders of blocks 21/8, 21/14 and 21/15b located in Quad 21 of the UK North Sea. The Company, together with Oilexco, Eternal Energy Corp and Gulf Shores Resources Ltd. has until July 15, 2006 to elect to drill a farm-in well. In the event of election the well is to be drilled on or before October 31, 2007 utilizing the Sedco 712 rig. If an election is made Oilexco will be appointed operator and IFR will pay 10% of drilling, testing, completing and or abandonment to earn a 16% in the Quad 21 blocks.
- **Lytham Prospect, UKCS** - A drilling site survey was completed in Q1, drilling will commence when a rig becomes available.
- The Company, through its wholly owned subsidiary Britcana Energy Ltd., is participating in a joint venture that plans to bid for acreage at the 24th UKCS Licensing Round. Applications are to be submitted by June 16, 2006 and awards should be announced in September.
- **Corporate** - In May, 2006 1,521,250 common shares were issued pursuant to the exercise of warrants to purchase common shares at \$1.85 per share. As at May 29, 2006 the Company has 41,818,718 common shares outstanding and 45,238,718 fully diluted.
- **Finance** - At May 29, 2006 the Company has cash and cash equivalents of \$15 million.



Quarterly Results

The following table summarizes results for the three months ended March 31, 2006, 2005 and 2004.

Three months ended March 31,	2006		2005		2004	
Sales volumes – BOE/day	51		47		-	
Oil Revenues, net of royalties	\$	156,801	\$	128,743	\$	-
Interest and other income		83,504		57,652	\$	1,234
Net loss	\$	(210,859)	\$	(1,447,315)	\$	(331,059)
Net loss per share - basic	\$	(0.005)	\$	(0.04)	\$	(0.02)
- diluted	\$	(0.005)	\$	(0.04)	\$	(0.02)
Total assets	\$	23,440,488	\$	17,715,050	\$	3,552,399
Working capital	\$	14,571,700	\$	12,165,397	\$	1,069,415

Sales Volumes

Sales volumes for the first quarter of 2006 were 51 BOE per day, an increase of 4 BOE per day or 7% as compared with the 47 BOE per day in the first quarter of 2005. Sales volumes in the first quarter of 2006 also increased 6 BOE per day as compared to the fourth quarter of 2005 at 45 BOE per day. Increase in sales volumes in the first quarter of 2006 can be attributed to improved field efficiencies.

Gross Revenues and Royalties

For the three month period ending March 31, 2006 the Company received gross oil and gas revenues of \$200,704 (2005 - \$173,181) and paid royalties of \$43,903 (2005 - \$ 44,438). Increase in net oil revenues in the first quarter of 2006 is a result of slight increase in production for the period as well as an increase of 8% in average price per BOE received in the first quarter of 2006 as compared to the first quarter of 2005. Net oil revenues of \$156,801 for the three months ended March 31, 2006 increased by \$37,215 as compared to the three months ended December 31, 2005 due to decreased volumes in the fourth quarter of 2005 as discussed above.

Operating expenses

During the three months ended March 31, 2006, the Company incurred operating expenses of \$99,289 (2005 - \$ 83,181). Operating costs per BOE increased from \$19.38 for the three months ended March 31, 2005 to \$21.70 per BOE for the three months ended March 31, 2006, an increase of 10%. Operating expenses for the three months ended December 31, 2005 were \$81,000 or \$19.39 BOE also resulting in an increase of 10% as compared to the first quarter of 2006. Increased costs in the first quarter of 2006 are mainly due to increase in energy and utility costs in 2006.

The Company has also generated interest income from short term investments of \$83,504 (2005 - \$57,652) for the three months ended March 31, 2006. The increase in interest income in the first quarter of 2006 as compared to 2005 is due to interest earned on investment of funds raised through financing activities during the year resulting in a larger cash balance at the end of the first quarter of 2006 coupled with an increase in interest rate received on investments at March 31, 2006.



Quarterly Results (continued):

Depletion and Depreciation

Depletion and depreciation on oil and gas properties of \$36,023 or \$7.87 per BOE in the first quarter of 2006 as compared to \$32,892 or \$7.67 for the three months ended March 31, 2005 is consistent. The slight increase in DD&A in the first quarter of 2006 as compared to the first quarter of 2005 is mainly due to increase in production for the three months ended March 31, 2006. Depletion and depreciation on oil and gas properties at March 31, 2006 of \$7.87 per BOE is consistent with a cost of \$7.61 per BOE before for the three months ended December 31, 2005.

At March 31, 2006 an impairment test was performed which calculates the amount by which the carrying amount of capitalized costs related to producing properties in Alberta exceeded fair value of the reserves as estimated by the Company's reservoir engineers at December 31, 2005. There was no impairment loss recognized for the three months ended March 31, 2006

The carrying value of properties in the exploration stage in the Northwest Territories which have been excluded from the depletion calculation at March 31, 2006 is \$8,147,310 (2005- \$4,056,058). A separate impairment test has been performed on these properties and no impairment exists at March 31, 2006.

Accretion of asset retirement obligation

The accretion of asset retirement obligations remained relatively constant in the first quarter of 2006 at \$5,554 as compared to \$6,171 in the same quarter in 2005.

General and administrative expenses

Three months ended March 31,	2006	2005	2004
Investor relations	\$ 1,585	\$ 2,997	\$ 263,446
Filing and transfer fees	19,131	11,345	6,530
Professional fees	19,791	22,319	11,838
Consulting fees - gross	73,200	71,660	32,580
Consulting fees - capitalized	(20,550)	(38,500)	(22,461)
Rent and office costs	40,372	35,051	9,281
	\$ 133,529	\$ 104,872	\$ 301,214

General and Administrative Costs:

General and administrative expenses were \$133,529 for the first quarter of 2006 up \$28,657 or 22% compared with \$104,872 in 2005. This increase is primarily a result of increases in filing and transfer fees, consulting fees and a general increase in office costs in 2006.

Stock based compensation

Stock based compensation costs decreased from \$1,423,260 in the first quarter of 2005 to \$194,679 in the same period in 2006 due to a fewer number of options issued to officers, directors, employees and consultants during the three months ended March 31, 2006.



Quarterly Results (continued):

Net Income (Loss)

The Company had a net loss for the three month period ending March 31, 2006 of \$217,450 or \$0.005 per share as compared with a net loss of \$1,447,315 or \$0.04 per share in first quarter of 2005. The Company's net loss is affected by items which are non-operational in nature. For the quarter ending March 31, 2006 these non-cash items included depletion and depreciation and accretion expense of \$41,577 (2004 – \$39,063) stock based compensation expense of \$194,679 (2005 – \$1,423,260), gain on sale of investment of \$Nil (2005 – \$4,746), and a future income tax recovery of \$16,277 (2005 – \$20,698) resulting in an adjusted net income from operations at March 31, 2006 of \$2,529 as compared to a net loss from operations of \$10,436 for the three months ended March 31, 2005.

Liquidity capital resources and financing activities

At March 31, 2006, the Company had working capital of \$14,570,700 (2005 - \$12,165,000), of this amount \$2,016,225 (2005 – \$351,500) has been lodged as security against refundable deposits in the Northwest Territories and in the North Sea. The Increase in working capital at March 31, 2006 as compared to 2005 is mainly due funds generated from a non-brokered private placement entered into on November 3, 2005 for 3,275,000 flow through units at a price of \$1.70 per unit for net proceeds of \$5,307,000. The Company has sufficient working capital to meet all commitments to which it is currently committed.

Financial Instruments

International Frontier does not have any commodity or financial instrument hedges. The Company carries various forms of financial instruments, all of which are recognized in International Frontier's consolidated interim financial statements at March 31, 2006. Unless otherwise denoted in the March 31, 2006 consolidated interim financial statements it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the these financial instruments. The fair values of financial instruments approximate their carrying value. The Company has no unrecognized gains or losses in its financial statements.

Investing Activities

Total capital expenditures for the quarter ended March 31, 2006 were \$1,709,000 (2005 – \$848,000) of which \$1,535,000 or 90% (2004 – 74%) related to exploration activities in the Central Mackenzie River Valley. Operations in this area are expensive and of a high risk nature that could create conditions that could alter the plans of the Company and its partners. Further, should commercial quantities of petroleum and natural gas be proven to exist in the area, the timing of revenue generation is dependent on a variety of factors not within control of the Company.

Obligations

Under the terms of the flow-through agreements undertaken in 2005 the Company had flow-through share spending obligations of \$4,026,500 at March 31, 2006. The Company had no debt at March 31, 2006. The Company has sufficient working capital and future cash flow to meet its flow through share obligations.

Related Party Transactions

Certain officers and directors provide professional, consulting and management services to the Company. The amounts paid to these officers and directors during the three months ended March 31, 2006 were \$48,500 (2005 – \$46,500). Of the total consulting fees paid to related parties during the period, \$20,550 (2005 –\$29,250) was capitalized to property and equipment at March 31, 2006.



Other Items

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	March 31, 2006	May 29, 2006
Common shares outstanding	40,297,468	41,818,718
Warrants outstanding	1,637,500	116,250
Options outstanding	3,420,000	3,420,000
Convertible debentures	100,000	100,000
Fully diluted	45,454,968	45,454,968

Subsequent to March 31, 2006 a total of 1,521,250 warrants were exercised for proceeds of \$2,814,312. The warrants outstanding at May 29, 2006 represent the remainder of the 1,637,500 warrants issued pursuant to the private placement completed on November 24, 2005.

Additional details on the shares, options and warrants outstanding at March 31, 2006 are available in the notes to the March 31, 2006 consolidated interim financial statements.

Critical Accounting Estimates

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

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

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

Summary of Quarterly Results

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

Quarter ended	March 31, 2006	Dec 31, 2005	Sept 30, 2005	June 30, 2005
Sales volumes – Bbl/day	51	45	51	56
Revenues, net	240,305	119,586	281,853	242,202
Net loss	(217,450)	(228,373)	(158,531)	(2,314)
Net loss per share – basic	(0.005)	(0.01)	(0.04)	(0.00)
– diluted	(0.005)	(0.01)	(0.04)	(0.00)
Total assets	23,440,488	23,536,000	17,796,340	17,802,253
Working capital	14,571,700	16,204,000	9,635,305	9,977,820
Refundable Deposits	2,016,225	1,441,325	1,382,750	1,382,750
Net cash generated (loss) from operations	2,529	(238,125)	65,489	27,992



Summary of Quarterly Results (continued):

	March 31, 2005	Sept 30, 2004	Sept 30, 2004	June 30, 2004
Sales volumes – BOE/day	50	60	68	-
Revenues, net	186,395	224,806	278,121	121,469
Net loss	(1,447,315)	(2,540,027)	(238,788)	(265,074)
Net loss per share – basic	(0.04)	(0.15)	(0.00)	(0.01)
– diluted	(0.04)	(0.15)	(0.00)	(0.01)
Total assets	17,715,050	14,773,508	10,489,813	7,435,380
Working capital	12,165,397	9,954,156	5,222,766	2,449,190
Refundable deposits	351,500	351,500	351,500	602,426
Net cash generated (loss) from operations	(10,436)	(87,875)	12,910	(134,290)

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.

Other information

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



Central Mackenzie Valley – Prospect Inventory Map

