International Frontier Resources Corporation

Interim Consolidated Financial Statements

For The Three Month Periods Ended
March 31, 2009 and 2008

Contents

International Frontier Resources Corporation

Consolidated Financial Statements

For the three month periods ended March 31, 2009 and 2008

(Unaudited)

National Instrument 51-102 Notice

The consolidated financial statements of International Frontier Resources Corporation ("the Company") for the three and nine month periods ended March 31, 2009 and 2008 have been compiled by management.

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

International Frontier Resources Corporation
Consolidated Balance Sheets

	March 31, 2009 (unaudited)	December 31, 2008 (audited)
Assets		
Current		
Cash and cash equivalents (Note 9)	**$ 9,529,925**	$ 9,605,300
Receivables	**345,425**	154,695
Prepaids and deposits	**83,355**	43,815
` Current portion of restricted cash on deposit (Note 10)	**595,255**	1,342,115
	10,553,960	11,145,925
Restricted cash on deposit (Note 10)	**925,060**	925,060
Property and equipment (Note 5)	**25,695,770**	26,137,890
Inventory	**16,200**	16,200
Intangibles	**28,750**	30,000
	$ 37,219,740	$ 38,255,075
Liabilities		
Current		
Payables and accruals	**$ 314,730**	$ 1,257,310
Asset retirement obligations	**351,445**	339,615
Future income taxes	**2,028,630**	2,028,630
	2,694,805	3,625,555
Shareholders' Equity		
Share capital (Note 6)	**42,064,435**	42,064,435
Contributed surplus (Note 6)	**10,490,030**	10,490,030
Deficit	**(18,029,530)**	(17,924,945)
	34,524,530	34,629,520
	$ 37,219,740	$ 38,255,075

Commitments and contingencies (Note 10)

On behalf of the Board

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

See accompanying notes to the interim consolidated financial statements.

International Frontier Resources Corporation

Consolidated Statements of Operations, Comprehensive Earnings (Loss) and Deficit

(Unaudited)

Three months ended March 31,	2009	2008
Revenue		
Oil	$ **141,640**	$ 319,825
Less: Royalties	**(30,805)**	(51,760)
	110,835	268,065
Interest income	**22,740**	224,050
Foreign exchange gain	**-**	98,805
	133,575	590,920
Expenses		
Field operating costs	**104,320**	129,705
Depletion, depreciation and amortization	**17,070**	76,305
Accretion	**11,830**	5,205
Foreign exchange loss	**3,860**	-
General and administration	**101,080**	177,085
	238,160	388,360
Earnings (loss) before income taxes	**(104,585)**	202,620
Future income tax recovery	**-**	-
Net earnings (loss) and comprehensive earnings (loss)	$ **(104,585)**	$ 202,620
Deficit, beginning of year	**(17,924,945)**	(13,764,725)
Deficit, end of year	$ **(18,029,530)**	$ (13,562,105)
Net earnings (loss) per share (Note 8)		
Basic and diluted	$ **(0.002)**	$ 0.003

See accompanying notes to the consolidated financial statements.

International Frontier Resources Corporation

Consolidated Statements of Cash Flows

Three months ended March 31,	2009	2008
Operating		
Net earnings (loss)	$ (104,585)	$ 202,620
Non Cash Items:		
Depletion, depreciation and amortization	17,070	76,305
Accretion	11,830	5,205
Future income tax recovery	-	-
Asset retirement liabilities settled	-	(11,555)
	(75,685)	272,575
Change in non-cash operating working capital (Note 9)	(70,485)	(501,105)
	(146,170)	(308,530)
Investing		
Additions to property and equipment	(84,660)	(8,289,035)
Recovery of property and equipment costs incurred In prior period	510,960	-
Decrease of restricted cash on deposit	746,860	-
Change in non-cash investing working capital (Note 9)	(1,102,365)	3,826,355
	70,795	(4,462,680)
Financing		
Share issue costs	-	30,710
	-	30,710
Net increase (decrease) in cash and cash equivalents	(75,375)	(4,740,500)
Cash and cash equivalents,		
Beginning of period	9,605,300	25,316,940
End of period	$ 9,529,925	$ 20,576,440

See accompanying notes to the consolidated financial statements.

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 geographical areas, being Canada and the United Kingdom. These financial statements are denoted in Canadian dollars.

The consolidated interim financial statements include the accounts of the Company, it's wholly owned United Kingdom subsidiary, Britcana Energy Ltd. and its 50% jointly controlled interest in Sidox Chemicals Canada Ltd. ("Sidox Canada") accounted for on the proportionate consolidation method. All inter-company transactions and balances are eliminated upon consolidation.

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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 represent risk for the Company's future.

2. Principles of presentation

These unaudited interim consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada following the same accounting policies and methods of application as the consolidated financial statements of the Company for the year ended December 31, 2008, except as disclosed in Note 3 below. The disclosures provided below are incremental to those included in the Company's annual consolidated financial statements. The unaudited interim consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2008.

The unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries and are presented in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2008 as filed on SEDAR at www.sedar.com. Except as noted below, these financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2008. The disclosures provided below are incremental to those included with the year end financial statements.

3. Accounting policies

Changes in accounting policies
On January 1, 2009, the Company adopted the following new accounting standards:

- CICA Section 3064, "Goodwill and intangible assets", which replaces Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs". The new section 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 adoption of Section 3064 "Goodwill and intangible assets" did not impact the Company's financial statements.

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 January 2009, the CICA issued new standards for Business Combinations. This standard is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2011 for the Company. Early adoption is permitted. This standard replaces Handbook Section 1581 Business Combinations, and harmonizes the Canadian standards with IFRS. This standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. The adoption of this standard will not have a material impact on the Company's financial statements.

4. Capital Management

The Company is in the business of oil and gas exploration in Canada and in the United Kingdom. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business.

The majority of the properties in which the Company currently has an interest are in the exploration stage and do not generate any revenue. The Company does earn some revenue from properties owned in Alberta. The Company therefore is dependent upon partnerships with industry and external financing to fund the majority of its exploration programs and its administrative costs.

4. Capital Management (continued)

The Company will spend existing working capital and will seek additional financing as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential.

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 programs 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. In the current economic environment there can be no assurances that the Company can raise capital through the sale of its shares.

In the management of capital, the Company includes shareholders' equity, cash and cash equivalents 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 March 31, 2009, the Company's capital as defined above was approximately $44,335,385 (December 31, 2008 - $44,319,000).

5. Property and equipment

March 31, 2009	Cost	Accumulated Depletion, Depreciation and Impairments	Net Book Value
Petroleum and natural gas properties	$ 38,783,965	$ 13,105,165	$ 25,678,800
Office furniture and equipment	84,980	68,010	16,970
Petroleum and natural gas properties	$ 38,868,945	$ 13,173,175	$ 25,695,770

December 31, 2008	Cost	Accumulated Depletion, Depreciation and Impairments	Net Book Value
Petroleum and natural gas properties	$ 39,210,260	$ 13,090,385	$ 26,119,875
Office furniture and equipment	84,980	66,965	18,015
Petroleum and natural gas properties	$ 39,295,240	$ 13,157,350	$ 26,137,890

5. Property and equipment (continued)

Canada
During the period ended March 31, 2009, $12,375 (December 31, 2008 - $58,300) of overhead expenses directly related to exploration activities in the Northwest Territories were capitalized. Of these amounts, $Nil (December 31, 2008 - $3,600) related to interest expense was capitalized for activities in the Northwest Territories.

As at March 31, 2009, the Company has accumulated capital expenditures for land, seismic, and drilling in the Northwest Territories of $27,957,590 (December 31, 2008 - $28,203,005). Included in this amount are costs of $19,319,600 (December 31, 2008 - $19,431,260) which have been included in petroleum and natural gas properties as undeveloped properties and have not been included in the respective cost centers for purposes of calculating depletion.

At March 31, 2009, $Nil (2008 - $Nil) impairment of petroleum and natural gas assets in the Northwest Territories has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves in Canada. An evaluation of undeveloped properties in the Northwest Territories was performed and no impairment exists at March 31, 2009.

North Sea
During the period ended March 31, 2009, $12,375 (December 31, 2008 - $58,300) of overhead expenses directly related to exploration activities in the North Sea were capitalized.

As at March 31, 2009, the Company has accumulated capital expenditures for land, seismic, and drilling in the North Sea of $10,826,370 (December 31, 2008 - $11,007,255). Included in this amount are costs of $5,110,135 (December 31, 2008 - $5,291,020) which have been included in petroleum and natural gas properties as undeveloped properties.

6. Share capital

a) Authorized:
Unlimited common shares
Unlimited preferred shares

b) Issued:

	March 31, 2009			December 31, 2008		
			Number			Number
	of Shares		**Amount**	of Shares		Amount
Common shares						
Beginning of period	**59,578,965**	**$**	**42,064,435**	59,578,965	$	44,121,725
Tax effect of flow through shares (i)	**-**		**-**	-		(2,088,000)
Share issue costs (ii)	**-**		**-**	-		30,710
Balance, end of period	**59,578,965**	**$**	**42,064,435**	59,578,965	$	42,064,435

6. Share capital (continued)

(i) On February 22, 2007, the Company also issued 4,800,000 flow-through shares at a price of $1.50 per share, for gross proceeds of $7,200,000.
(ii) During 2008, the Company received a refund of $30,710 on share issue costs paid in 2007 with respect to non-brokered placement per (iv) above.

c) Stock options

The Company has a stock option plan available to consultants, officers, directors, and employees of the Company to be granted options of up to 10 percent of the issued and outstanding common shares of the Corporation. 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, 2009, 925,000 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.

Outstanding and exercisable		**March 31, 2009**		December 31, 2008
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	**1,015,000**	**$ 1.16**	5,855,000	$ 1.23
Granted	**-**	**$ -**	-	$ -
Cancelled (surrendered)	**(90,000)**	**$ 0.50**	(4,840,000)	$ 1.31
Exercised	**-**	**$ -**	-	$ -
Balance, end of period	**925,000**	**$ 1.22**	1,015,000	$ 1.16

March 31, 2009

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.25 - $0.82	425,000	2.67	$ 0.75	425,000	$ 0.75
$1.35 - $1.95	500,000	1.12	$ 1.62	500,000	$ 1.62
	925,000	1.83`	$ 1.22	925,000	$ 1.22

December 31, 2008

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.25 - $0.82	515,000	2.42	$ 0.71	515,000	$ 0.71
$1.35 - $1.95	500,000	1.36	$ 1.62	500,000	$ 1.62
	1,015,000	1.90	$ 1.16	1,015,000	$ 1.16

6. Share capital (continued)

d) Warrants:

	March 31, 2009		December 31, 2008	
	Number of Warrants	**Amount**	Number of Warrants	Amount
Balance, beginning of year	**7,504,000**	**$ 3,757,090**	7,504,000	$ 3,757,090
Issued (i), (ii)	**-**	**-**	-	-
Expired	**(7,504,000)**	**(3,757,090)**	(7,504,000)	(3,757,090)
Balance, end of period	**-**	**$ -**	7,504,000	$ -

(i) In conjunction with a bought deal unit financing on February 22, 2007 the Company raised proceeds of $15,500,000. Each unit was comprised of one common share and one-half warrant. One full warrant entitled the holder, on exercise, to purchase one additional non-flow through share at a price of $1.60 per share. The Company received approval from the TSX-V to extend the expiry date of the warrants from February 22, 2008 to May 22, 2008. The warrants expired unexercised on May 22, 2008.

(ii) Concurrently with the issuance of the units, the Company issued 1,204,000 underwriter warrants which entitled the holder, on exercise, to purchase one common share at a price of $1.60 on or before February 22, 2008. In addition, the Company issued 100,000 Corporate Finance Units to the underwriter. Each unit consisted of one common share and one warrant. One warrant entitled the holder the right to acquire one common share at a price of $1.60 on or before February 22, 2008. The underwriter warrants and corporate finance warrants expired unexercised on February 22, 2008.

e) Contributed surplus:

	March 31, 2009	December 31, 2008
Balance, beginning of year	**$ 10,490,030**	$ 6,732,940
Fair value of expired warrants	**-**	3,757,090
Balance, end of period	**$ 10,490,030**	$ 10,490,030

7. Related party transactions

a) During the period, the Company paid compensation to certain officers and directors as follows:

	Three months ended March 31, 2009	Year ended December 31, 2008
Executive officers compensation	**$ 40,500**	$ 108,000
Director's fees	**-**	14,500
Royalty incentive program	**2,700**	16,745
	$ 43,200	$ 139,245

At March 31, 2009, $2,700 (December 31, 2008 – $16,745) of the above amounts were included in payables and accruals.

b) During the period ended March 31, 2009, two of the directors of the Company were also directors of Sidox Chemicals Canada Ltd.

The above transactions were incurred in the normal course of operations of the Company and have been recorded at the exchange amounts that were established and agreed upon by the related parties.

8. Per share

	Three months ended March 31, 2009	Three months ended March 31, 2008
Net loss	**$ (104,585)**	$ 202,620
Weighted average number of shares	**59,578,965**	59,578,965
Basic loss per share	**$ (0.002)**	$ 0.003
Weighted average number of shares	**59,578,965**	59,578,965
Dilutive effect of stock options	**-**	200,150
Dilutive effect of convertible debentures	**-**	-
Dilutive weighted average number of shares	**59,578,965**	59,779,115

In calculating diluted common share amounts for the period ended March 31, 2009, the Company excluded 965,000 (2008 – 5,274,165) options and Nil (2008 – 6,200,000) warrants because the exercise price was greater than the average market price.

9. Supplemental cash flow information

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

	Three months ended March 31, 2009	Three months ended March 31, 2008
Receivables	**$ (190,730)**	$ 564,130
Prepaids	**(39,540)**	(27,545)
Payables and accruals	**(942,580)**	2,708,665
	$ (1,172,850)	$ 3,245,250
Operating activities	**$ (70,485)**	$ (581,105)
Investing activities	**(1,102,365)**	3,826,355
Financing activities	**-**	-
	$ (1,172,850)	$ 3,245,250
Interest paid	**$ -**	$ 3,088
Cash and cash equivalents are comprised of:		
Cash	$ **2,351,110**	$ 5,638,490
Short term banker's acceptances	**7,178,815**	14,937,950
	$ 9,529,925	$ 20,576,440

10. Commitments and contingencies

a) The Company has letters of credit for its share of refundable deposits on Northwest Territories exploration licenses. The letters of credit are secured by a total assignment of cash of $1,520,315 (2008 – $2,267,175). The Company is contingently liable under the letters of credit for $1,520,315 (2008 - $2,267,175). The deposits will be refunded by $1 for every $4 spent on qualified expenditures on each exploration license. At March 31, 2009 the Company has met a certain portion of its work commitments on the exploration licenses which entitle it to a refund of qualified expenditures upon approval by the National Energy Board and Department of Indian Affairs. A refund of $595,255 was approved on April 9, 2009; as a result, the Company's letters of credit and restricted cash on deposit will be reduced to $925,060.

b) The Company is party to an agreement to lease its premises until December 31, 2011. The annual rent of premises consists of a minimum rent plus occupancy costs. Minimum rent payable for premises until the end of the lease is as follows:

2009	$ 39,750
2010	$ 53,000
2011	$ 53,000

10. Commitments and contingencies (continued)

c) The Company has established a Royalty Incentive Agreement for officers who are also Directors and consultants. Under the plan, the compensation committee issues units and pays royalties 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 gross oil and gas production revenue, net of transportation and processing fees from licenses and lands owned by the Company. Under the terms of the agreement, once the Company has recovered payout of 100% of its cumulative annual capital expenditures from licenses and lands owned by the Company, the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees. At March 31, 2009, payout of 100% of cumulative annual capital expenditures had not been reached. At March 31, 2009, the Company recorded costs of $2,700 with respect to this plan.

d) In 2008, the Company signed a long-lead AFE with respect to future costs to be incurred on License P.1465 in the Bowmore area of the North Sea. The Company is committed to expenditures of $1,230,000 to be incurred in the first two quarters of 2009.

11. Segmented information

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

a) Earnings (Loss)

March 31, 2009	Canada	U.K.	Total
.			
Oil revenues, net	$ 141,640	$ -	$ 141,640
Less: royalties	(30,805)	-	(30,805)
	110,835	-	110,835
Interest income	22,740	-	22,740
	133,575	-	133,575
Expenses			
Field operating costs	104,320	-	104,320
Depletion, depreciation and impairments	17,070	-	17,070
Accretion	11,830	-	11,830
Foreign exchange loss	-	3860	3,860
General and administration	100,285	795	101,080
	233,505	4,655	238,160
Net loss	$ (99,930)	$ (4,655)	$ (104,585)

11. Segmented information (continued)

a) Earnings (Loss)

March 31, 2008	Canada	U.K.	Total
Oil revenues, net	$ 319,825	$ -	$ 319,825
Less: royalties	(51,760)	-	(51,760)
	268,065	-	268,065
Interest income	183,600	40,450	224,050
Foreign exchange gain	12,230	86,575	98,805
	463,895	127,025	590,920
Expenses			
Field operating costs	129,705	-	129,705
Depletion, depreciation and impairments	76,305	-	76,305
Accretion	5,205	-	5,205
General and administration	175,800	1,285	177,085
	387,015	1,285	388,300
Net earnings	$ 76,880	$ 1,285	$ 202,620

b) Property and equipment

March 31, 2009	Canada	U.K.	Total
Capital expenditures			
Cash expenditures	$ 22,100	$ 62,560	$ 84,660
Recovery of costs	(267,520)	(243,440)	(510,960)
	$ (245,420)	$ (180,880)	$ (426,300)
Property and equipment	$ 20,585,365	$ 5,110,405	$ 25,695,770

March 31, 2008	Canada	U.K.	Total
Capital expenditures			
Cash expenditures	$ 7,418,740	$ 870,295	$ 8,289,035
Property and equipment	$ 22,734,745	$ 2,984,105	$ 25,718,850

12. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, trade accounts receivable, and trade accounts payable. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

a) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. A portion of the Company's financial assets at the balance sheet date arise from crude oil sales. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

At March 31, 2009, 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. The Company markets its oil through one marketer the increased risk arising from exposure to one entity is mitigated by the fact that oil production is not a significant part of the Company's business at this time as the Company is engaged primarily in the exploration for and development of petroleum and natural gas reserves.

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 the period ended March 31, 2009, there were no amounts deemed as uncollectible and as such no amounts have been written off at March 31, 2009.

The following table presents the aging the Company's accounts receivable at March 31, 2009:

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 345,425	$ 336,865	$ -	$ -	$ 8,560

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets. There are no material financial assets that are past due. During the period ended March 31, 2009, there was no allowance for doubtful accounts recorded as all amounts outstanding at March 31, 2009 are deemed collectible.

b) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company holds some 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. The Company's management monitors the exchange rate fluctuations on

12. Financial Instruments (continued)

a regular basis. The Company does not use currency derivative instruments to manage the Company's exposure to foreign currency fluctuations.

At March 31, 2009, the carrying amount of the Company's U.K. pound denominated net monetary assets was approximately C$753,000. 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.

c) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. 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 with respect to funds invested in short term marketable securities. As a March 31, 2009, the Company did not have any financial assets based on variable interest rates and as such the Company has no specific interest rate risk at year end. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

d) Liquidity Risk

Liquidity risk includes the risk that:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including, amounts projected to complete budgeted capital expenditures are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, opening cash and cash equivalents balance, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and access to equity markets. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues, obtain project debt financing, obtain joint venture partners or sell assets.

At March 31, 2009 the Company had cash and cash equivalents of $9,529,925 (December 31, 2008 - $9,605,300), and working capital was $10,239,230 (December 31, 2008- $9,888,615). Based on current projections, the Company has sufficient working capital to fund its share of its 2009 – 2010 budgeted firm and contingent capital expenditures from existing working capital.

13. Subsequent events

On April 30, 2009 the Company announced the issuance of 3,320,000 stock options to directors, officers and consultants under the Company's stock option plan. The options have an exercise price of $0.10 per share and are subject to TSX Venture approval.