Corporate Overview

International Frontier Resources Corporation is engaged in the exploration for and development of high risk – high impact petroleum and natural gas reserves in the Northwest Territories, Canada, the North Sea, UKCS. The following is management's discussion and analysis ("MD&A") of International Frontier Resources Corporation's ("IFR" or the "Company") operating and financial results for the period ending September 30, 2005, 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 September 30, 2005 interim consolidated financial statements and December 31, 2004 audited consolidated financial statements and related notes and includes subsequent events to November 24, 2005. The MD&A includes forward looking statements based on management's assumptions utilizing information currently available, actual results may differ from these forecasts.

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	**Sept. 30, 2005**	**June 30, 2005**	**March 31, 2005**	**Dec. 31, 2004**
Sales volumes – Bbl/day	51	56	50	60
Revenues, net	281,853	242,202	186,395	224,806
Net loss	(158,531)	(2,314)	(1,447,315)	(2,540,027)
Net loss per share - basic	(0.04)	(0.00)	(0.04)	(0.15)
- diluted	(0.04)	(0.00)	(0.04)	(0.15)
Total assets	17,796,340	17,802,253	17,715,050	14,791,008
Working capital	9,635,305	9,977,820	12,165,397	9,954,156
Refundable Deposits	1,382,750	1,382,750	351,500	351,500
Total cash on hand	11,018,055	11,360,570	12,516,897	10,305,656
Net cash generated (loss) from operations	65,489	27,992	(10,436)	(87,938)

	Sept. 30, 2004	**June 30, 2004**	**March 31, 2004**	**Dec. 31, 2003**
Sales volumes – BOE/day	68	-	-	-
Revenues, net	278,121	121,469	1,234	1,802
Net loss	(238,788)	(265,074)	(331,059)	(875,162)
Net loss per share – basic	(0.00)	(0.01)	(0.02)	(0.10)
- diluted	(0.00)	(0.01)	(0.02)	(0.10)
Total assets	10,489,813	7,435,380	3,552,399	3,577,170
Working capital	5,222,766	2,449,190	1,069,415	1,369,487
Refundable deposits	351,500	602,426	292,426	292,426
Total cash	5,574,266	3,101,616	1,361,841	1,661,913
Net cash generated (loss) from operations	12,910	(134,290)	(299,996)	(236,558)

Operations Review

1. Central Mackenzie Valley, NWT

EL- 397 (342,000 acres, 17,100 net acres)

Working interests;
Northrock Resources Ltd. – 32.50%
Husky Oil Operations Limited – 29.4775% **(operator)**
EOG Resources Canada Ltd. – 26.3975%
International Frontier Resources Corporation – 5.00%
Pacific Rodera Ventures Inc – 6.625%

Operations

During the third quarter, the consortium completed a 200 kilometer 2-D seismic program at a gross cost of $7.8 million, $390,000 net to IFR. It is noteworthy that this cost represents a reduction from $75,000 per kilometer to $39,000 per kilometer from previous programs. The data has been processed and interpretation is ongoing; to date interpretation has been focused on the Tehwa structure where an exploratory wildcat well will be drilled in Q-1, 2006.

A regional field geological project was completed September and the data will be integrated into geological and geophysical models.

In November the operator issued two operations notices for this winters' drilling program covering the following operations.

A) An appraisal - exploration well, Summit Creek K-44, will be drilled on the east flank of Summit Creek structure 1.4 kilometers from the Summit Creek B-44 discovery well. The well will evaluate the productive Devonian reservoir encountered in the B-44 well. In addition the K-44 well will be positioned to evaluate the Mount Kindle Formation, a deeper prospective target not penetrated in the B-44 well. Well costs are estimated at $21.5 million, $1.07 million net to IFR.

B) The consortium will drill an exploratory new pool test on the Tehwa (Mink) structure located approximately 35 kms south and east of the B-44 discovery well. The Tehwa D-57 well will test a new shallow play concept in the Cretaceous. Seismic interpretation suggests 100 meters of four way closure, covering an approximate area 9.3 square kilometers. Secondary objectives include two deeper prospective targets in the Devonian. Thermal maturities and reservoir properties suggest the Cretaceous reservoir will be oil bearing, with reserve potential of greater than 50 million barrels. Well costs have been estimated at $22 million, $937,000 net to IFR.

In an attempt to lengthen the drilling season, a drilling rig, lease construction equipment and diesel fuel were staged on the west side of the Mackenzie River in September. Recent cold temperatures have allowed the operator to get a head start on road and lease construction which commenced in mid November. If cold temperatures prevail, the operator expects drilling operations for the Tehwa well will commence before the end of December. A second drilling rig will be mobilized when the winter road and an ice bridge across the Mackenzie River is completed. The Summit Creek K-44 well is expected to spud in early January.

EL- 423 (225,600 acres, 11,280 net acres)

Working interests;
Northrock Resources – 32.50%
Husky Oil – 29.48% (operator)
EOG Resources – 26.4%
International Frontier – 5.00%
Pacific Rodera – 6.65%

The work commitment on this license is $24,500,000. the Company's share is $1,225,000. The Company has lodged a letter of credit for $310,000 covering its share of a refundable deposit. At the end of Q-3, 2005 approximately $800,000 of qualified expenditures have been incurred.

Operations
A benefits and access agreement with the Tulita District Land Corporation is currently being finalized. Future plans include shooting 2-D seismic on the Nowhe, Cloverleaf, Crescent Ridge and Haywood prospects in Q-3, 2006.

EL- 416 (199,000 acres, 15,225 net acres)

Working interests;
Northrock Resources – 22.8700%
Anadarko Canada– 32.50%
EOG Resources Canada – 12.32%
International Frontier – 7.65%
Pacific Rodera – 4.66%
Husky Oil – 20.00% (operator)

Term;
The primary four year term of the license expired on September 18, 2005. The $1.5 million work commitment was fulfilled and an application for return of the $375,000 refundable work deposit has been submitted.

Operations
No operations were conducted in Q-3, 2005.

EL- 401 (326,000 acres, 1,010 net acres)

Working interests;
EOG Resources Canada– 45% (operator)
Anadarko Canada – 25%
Northrock Resources – 17.50%
Durvenay – 7.50%
International Frontier – 3.10%
Pacific Rodera – 1.90%

Operations
In August 2005 approximately 50% of the license was relinquished. EL-401 is located approximately 80 kilometers north of the Summit Creek discovery well. The operator, EOG Resources, is currently putting together a prospect inventory for farmout.

TDL Freehold Lands (100,000 acres, 9,110 net acres)

Working interests;
M-32, M-33, M-34, M-35 and M-39
Northrock Resources – 32.50%
International Frontier – 10.875%
Pacific Rodera – 6.625%
Anadarko Canada – 32.50%
EOG Resources – 17.505

M-29
Northrock Resources – 25%
International Frontier – 10.875%
Pacific Rodera – 6.625%
Anadarko Canada – 32.50%
EOG Resources – 17.50%
Duvernay -7.50%

M-37
Northrock Resources – 32.50%
International Frontier – 5.00%
Pacific Rodera – 6.625%
EOG Resources – 23.3750%
Husky Oil Operations – 32.50%

M-36 & M-38
Northrock Resources – 27.6850%
International Frontier – 4.2593%
Pacific Rodera – 5.6436%
Anadarko Canada – 32.50%
EOG Resources – 19.9121%
Husky Oil – 10.00%

Operations

In the third quarter 2-D seismic was shot on the Tehwa prospect located on TDL parcel M-38 which is located within EL-397. A drilling location has been identified to test both the Cretaceous and Devonian formations (see EL-397 operations).

In October the consortium and the TDL Land Corporation entered into an amending agreement whereby the TDL Freehold leases will be continued on an annual basis by virtue of the consortium paying, on an annual basis, a delay rental of $150,000 for the Sah Cho L-71 well drilled on TDL parcel M-37. In addition the consortium pre-paid the annual 2006 delay rentals of $20 per hectare ($832,426) to the TDL Land Corporation. The consortium also agreed to share operatorship of the various freehold parcels; Husky will operate M-36, M-37 and M-38, IFR will operate M-32, M-33, M-34, M-35 and M-39 and EOG will operate M-29.

2. Hay River Area, Southern NWT

The Company has a Memorandum of Understanding ("MOU") with the Katlodeeche First Nations ("KFN"). The MOU provides the Company with surface access to shoot proprietary seismic on both reserve and traditional lands covering an area of approximately 1.9 million acres. Under the terms of the agreement the Company will incur 100% of all exploration and development costs to earn 95% of all revenues. Upon the Company recovering 135% of all capital expenditures future revenues will be shared IFR-50% and KFN-50%.

The agreement provides the Company with the right to acquire sub-surface mineral rights on the Hay River Reserve (35,000 acres). The traditional lands are located in an area that requires approval for a rights issuance between the Federal Department of Indian and Northern Affairs and members of the Deh Cho community. As the Deh Cho have not settled their land claims with the Federal Government there can be no assurance of a future rights issuance(s).

Operations

Seismic trade data was purchased in Q-4, 2005. A regional geochemical study was commissioned in Q-4, 2005 and a large hydrodynamic study encompassing oil and gas fields in northern Alberta extending into the Hay River area will commence in Q-1, 2006.

3. Colville Hills Area, NWT

EL- 429 (210,500 acres, 52,625 net acres)

Working Interests:
BG Canada Exploration and Production Inc. – 75% (operator)
International Frontier – 25%

In May 2005 EL-429 was awarded for a work commitment bid of $12,500,000, of which the Company's share is $3,125,000. A letter of credit in the amount of $781,250 has been issued representing the Company's 25% share of a refundable work deposit.

Operations

The Company has agreed to fund 25% of the cost to acquire a helicopter supported tight grid gravity survey scheduled to commence Q-1, 2006. The Company also plans to fund its 25% share of a 2-D seismic survey scheduled to commence in Q-1, 2007.

EL- 432 (162,680 acres, 40,670 net acres)

Working Interest:
BG Canada Exploration and Production Inc. – 75% (operator)
International Frontier – 25%

In May 2005 EL-432 was awarded for a work commitment bid of $4,000,000, of which the Company's share is $1,000,000. A letter of credit in the amount of $250,000 has been issued representing the Company's 25% share of a refundable work deposit.

Operations
Geological and geophysical mapping is in progress.

4. Sidox Chemicals Canada Ltd.

In the second quarter Enhanced Recovery Systems Ltd. ("ERS") owners of the Sidox patent, elected to purchase a 50% shareholding in Sidox Chemicals Canada Ltd ("SCC"). Prior to ERS's election SCC was a 100% wholly owned subsidiary of International Frontier. The shareholdings of SCC are now owned 50% IFR and 50% ERS. The business plan for SCC is to acquire new wells for future product testing to confirm the commercial viability of Sidox.

Operations
SIDOX Pilot Project - Alderson Lower Mannville M2M Pool (IFR 100%)
Phase two of the Alderson Sidox pilot project is in progress. In Q-3, 2005 a facility turn around was completed at a cost of $85,000, all equipment was serviced and we do not anticipate any further major facility costs. Oil production has been averaging 50 to 55 BOPD.

5. North Sea – UKCS

In September the Company (50%) and Palace Exploration (UK) Limited (50%) were awarded a promote license at the UKCS 23rd licensing round covering block 12/17. Block 12/17 is located off the east coast of Scotland in the Inner Moray Firth area. The block covers an area of 72 square kilometers. A total of four firm wells and various 2-D and 3-D seismic surveys were committed to in the Inner Moray Firth area at the 23rd licensing round,

Operations
Seismic mapping has identified a drillable prospect in block 12/17 with minimum reserve exposure of 40 million barrels and maximum reserve exposure of 110 million barrels.

6. Subsequent Events

North Sea – UKCS
The Company is in negotiations to expand its North Sea acreage portfolio with the addition of one License in the Inner Moray Firth area, one License in the Outer Moray Firth area and one License in the Southern Gas Basin. Formal agreements are currently being finalized and closing is scheduled for December 15, 2005.

Assuming formal agreements are executed the Company will enjoy a very successful launch into the North Sea with four high impact exploration wells scheduled for drilling in 2006/07.

Mr. Mark Groves-Gidney, founder of Exploration Geosciences Ltd. of Kent UK, has been appointed as an advisor to the Board of Directors covering North Sea operations. Mr. Gidney was granted a 100,000 stock option exercisable at $1.35 for a term of five years.

Finance
In Q-4, 2005 the Company completed a non brokered private placement of 3,275,000 units at a price of $1.70 per unit for total proceeds of $5,567,500. A unit consists of one flow through share and one-half of a warrant, one full warrant entitles the holder to acquire one non flow through common share at a price of $1.85 for a period of 180 days. The Company paid commissions of $260,457 to registered sales representatives for net commissions of 4.7%, which compares favorably to brokered private placement fees of 7.5% to 10%.

At September 31, 2005 the Company had working capital of $9.6 million and refundable deposits of $1,382,750, as of November 24, 2005 the Company has total cash and cash equivalents of $16.5 million.

7. QUARTERLY RESULTS

Revenue and Pricing

The following table summarizes results for the nine months ended September 30, 2005, 2004 and 2003.

Nine months ended September 30,	**2005**	**2004**	**2003**
Sales volumes – BOE/day	55	61	-
Oil Revenues, net of royalties	$ 536,492	$ 379,817	$ -
Interest and other income	173,958	21,007	$ 5,801
Net loss	$ (1,608,862)	$ (834,921)	$ (88,008)
Net loss per share - basic	$ (0.04)	$ (0.04)	$ (0.00)
- diluted	$ (0.04)	$ (0.04)	$ (0.00)
Total assets	$ 17,796,340	$ 10,489,813	$ 2,582,595
Working capital	$ 9,635,305	$ 5,222,766	$ 164,259

Revenues and operating costs

For the nine month period ending September 30, 2005 the Company received gross oil and gas revenues of $674,424 (2004 - $467,950) and paid royalties of $137,932 (2004 - $88,133). Increase in 2005 is due to the fact that the properties were purchased in April of 2004, therefore, there was not a full nine months of production for the nine months ended September 30, 2004. Net oil revenues of $221,732 for the three months ended September 30, 2005 increased by $35,714 as compared to the three months ended June 30, 2005. Net oil revenues in the third quarter of 2005 increased due to an increase in average price per BOE of $58.00 received for the three months ended September 30, 2005 as compared to an average of $44.80 per BOE received in the second quarter of 2005. Production volumes decreased slightly in the third quarter from an average of 56 BOE per day in the second quarter of 2005 to an average of 51 BOE per day in the third quarter of 2005.

In the nine months ended September 30, 2005 the Company incurred operating expenses of $312,626 (2004 - $274,924). Increased operating costs in 2005 are reasonable as there was not a full nine months of production in 2004 as explained above. For the three months ended September 30, 2005 the Company incurred operating expense of $119,515 as compared to $109,230 for the three months ended June 30, 2005 an increase of 9% due to tornado damage incurred at the Alderson oil facility in July. Operating costs per BOE increased from $18.91 for the three months ended June 30, 2005 to $26.93 per BOE for the three months ended September 30, 2005, an increase of 42%. This increase in the third quarter of 2005 is due to decreased production for the three months ended September 30, 2005 coupled with increased operating expenses due to tornado damage as well as trucking and disposal charges for salt water produced by re-activation of the 6-26-16-11W4M well, that is now shut-in.

The Company has also generated interest income from short term investments of $173,958 (2004 - $21,007) for the nine months ended September 30, 2005. The increase in interest income in the third quarter of 2005 as compared to 2004 is due to interest earned on investment of funds raised through financing activities during 2005.

QUARTERLY RESULTS

Depletion and Depreciation

Depletion and depreciation decreased by 43% to $39,025 in the third quarter of 2005 as compared to $68,780 for the three months ended June 30, 2005. The increased in DD&A in the second quarter of 2005 as compared to the third quarter of 2005 is mainly due to a higher depletion rate in the second quarter of 2005 resulting from increased production in that period along with the recognition of a $20,500 impairment loss during the three months ended June 30, 2005 which represents 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, 2004. There was no such impairment for the three months ended September 30, 2005. The overall increase in depletion and depreciation as compared to the same period in 2004 is due to the fact that there were no producing properties until well into the second quarter of 2004.

The carrying value of properties in the exploration stage in the Northwest Territories which have been excluded from the depletion calculation at September 30, 2005 is $5,516,076 (2004- $2,445,710). A separate impairment test has been performed on these properties and no impairment exists at September 30, 2005. During the three months ended September 30, 2005 $58,575 has been included in total depletion and depreciation related to costs written off with respect to NWT EL-391 which expired during the period.

General and administrative expenses

Nine months ended September 30,	2005	2004	2003
Investor relations	$ 36,070	$ 350,996	$ 16,621
Filing and transfer fees	22,780	25,942	-
Professional fees	59,595	22,000	40,795
Consulting fees - gross	205,060	174,164	75,558
Consulting fees - capitalized	(87,700)	(121,005)	(44,796)
Rent and office costs	69,053	92,918	17,080
	$ 304,858	$ 545,015	$ 105,258

General and administrative expenses of $304,858 were incurred in the nine months ended September 30, 2005 (2004 - $545,015) a 44% decrease as compared to the same quarter in 2004. During the nine months ended September 30, 2004, the Company incurred expenses totaling $350,996 related to the efforts to enhance shareholder awareness of the Company, there were no significant expense of this nature incurred to the third quarter of 2005. General and administrative expenses decreased by 10% for the three months ended September 30, 2005 as compared to the second quarter of 2005.

Stock Based Compensation

Stock based compensation costs increased from $58,714 in the nine months ended September 30, 2004 to $1,534,660 in the same period in 2005 due to an increased number of options issued to officers, directors, employees and consultants during in the same period in 2005. During the third quarter of 2005 a $111,400 stock based compensation expense was incurred for options issued in that period. There were no options issued in the three months ended June 30, 2005.

Net Loss

The Company had a net loss for the nine months ended September 30, 2005 of $1,608,862 or $0.04 per share as compared to a net loss of $834,921 for the same period in 2004. The Company's net loss is affected by items which are non-operational in nature. For the nine months ending September 30, 2005 these non-cash items included depletion and depreciation and accretion expense of $215,804 (2004 - $509,723), stock based compensation expense of $1,534,660 (2004 - $58,714), gain on sale of mutual funds of $4,746 (2004 - $nil), and a future income tax recovery of $54,512 (2004 - $154,892) resulting in an adjusted net income from operations at September 30, 2005 of $82,344 and an adjusted net loss at September 30, 2004 of $421,376

Liquidity, capital resources and financing activities

The Company had working capital of $9,635,305 at September 30, 2005 and restricted cash of $1,382,750 for refundable deposits in the Northwest Territories. During 2004 the Company generated funds from financing activities of $9,816,680 as follows:

- In June 2004, the Company completed a convertible redeemable debenture in the amount of $975,000.
- In conjunction with a private placement occurring May 17, 2004 and closing July 19, 2004, the Company issued 6,064,000 units at a price of $0.80 per unit for net proceeds of $4,851,200.
- On October 26, 2004, the Company entered into a private placement for 2,530,000 flow through units at a price of $1.35 per unit for net proceeds of $3,415,500.
- On November 10, 2004, the Company entered into a non-brokered private placement for 410,700 flow through units at a price of $1.40 per unit for net proceeds of $574,980.

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 interim financial statements at September 30, 2005. Unless otherwise denoted in the September 30, 2005 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 nine months ended September 30, 2005 were $2,183,544 (2004 - $2,578,687), of which $1,952,468 or 83% (2004 – 11%) of these expenditures related to exploration activities in the Central Mackenzie Valley, Northwest Territories. 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 2004 the Company had flow-through share spending obligations of $92,170 at September 30, 2005. The Company had no debt at September 30, 2005. 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 nine months ended September 30, 2005 were $139,500 (2004 - $109,520). Of the total consulting fees paid to related parties during the quarter, $74,250 (2004 –$63,705) was capitalized to property and equipment at the end of the period.

Changes in Accounting Policies including initial adoption

Effective January 1, 2004, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") as outlined in Handbook section 3110, "Asset Retirement Obligations".

Effective January 1, 2004 the Company adopted CICA Accounting Guideline 16 "Oil and Gas Accounting – Full Cost".

See September 30, 2005 interim consolidated financial statements Note 3 "Change in Accounting Policy" for detailed discussion of the above mentioned accounting changes.

Outstanding shares, options and warrants

The Company's share capital structure is as follows:

As of:	Sept. 30, 2005	Nov. 24, 2005
Common shares outstanding	35,022,470	38,297,470
Warrants outstanding	2,000,000	3,637,500
Options outstanding	3,315,000	3,315,000
Convertible debentures	100,000	100,000
Fully diluted	40,437,470	45,349,970

There have been no additional warrants exercised subsequent to September 30, 2005. The warrants outstanding at November 24, 2005 represent

- 2,000,000 non-transferable performance warrants with a deemed value of $10 representing the Company's initial investment in Sidox Chemicals Canada Ltd. in 2003. The warrants became exercisable in June 2005 when Sidox Chemicals Canada Ltd. acquired a ten year exclusive license for Sidox.
- 1.637,500 warrants issued pursuant to the private placement completed in November 2005

Additional details on the shares, options and warrants outstanding at September 30, 2005 are available in the notes to the September 30, 2005 interim consolidated 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.

FORWARD LOOKING STATEMENTS

This Management Discussion and Analysis (MD&A) contains forward-looking or outlook information which reflects management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "project", "should", ""believe", ""outlook", "forecast" and similar expressions are intended to identify forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Although management believes the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that actual results will be consistent with these forward-looking statements. Readers

should not put undue reliance on forward-looking information. These statements are made as of the date hereof and management assumes no obligation to update or revise these statements to reflect new events or circumstances.
Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this management discussion and analysis.

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

OPERATIONAL AND OTHER BUSINESS RISKS

Need to Replace and Grow Reserves

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

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

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

Exploration, Development and Production Risks

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

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

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

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

Reserve Estimates

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

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived thereof, including many factors that are beyond the control of International Frontier. The reserve and cash flow information set forth herein represent estimates only. The reserves and estimated future net cash flow from the assets of International Frontier have been independently evaluated effective December 31, 2004 by McDaniel & Associates Consultants Ltd. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditure, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of International Frontier. Actual production and cash flows derived thereof will vary from these evaluations, and such variations could be material. The foregoing evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived thereof contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Volatility of Oil and Natural Gas Prices

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

Frontier. A sustained material decline in prices from historical average prices could reduce the borrowing base of International Frontier, therefore reducing the bank credit available to International Frontier and could require that a portion of such bank debt be repaid.
International Frontier uses the full cost method of accounting for oil and natural gas properties. Under this accounting method, capitalized costs are reviewed on a quarterly basis for impairment to ensure that the carrying amount of these costs is recoverable based on expected future cash flows.

Operational Hazards and Other Uncertainties

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

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability and/or cost of such equipment to International Frontier and may delay exploration and development activities. To the extent International Frontier is not the operator of its oil and gas properties, the Company will be dependent on other operators for timing of activities related to non-operating properties and will be largely unable to direct or control the activities of the operators.

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

Competition

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

Key Personnel

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

Environmental Risks

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

Other information

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