



International Frontier Resources Corporation  
Interim Consolidated Financial Statements

June 30, 2007

## Contents

	<b><u>Page</u></b>
Notice to reader	1
Consolidated Interim Balance Sheets	2
Consolidated Interim Statements of Loss and Deficit	3
Consolidated Interim Statements of Cash Flows	4
Notes to the Consolidated Interim Financial Statements	5-15

---

**International Frontier Resources Corporation  
Consolidated Interim Financial Statements  
For the six month interim period ended  
June 30, 2007**

(unaudited – prepared by Management)

---

National Instrument 51-102 Notice

The consolidated interim financial statements of International Frontier Resources Corporation (“the Company”) as at June 30, 2007 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

	June 30, 2007 (unaudited)	December 31, 2006 (audited)
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 31,239,940	\$ 11,853,540
Receivables	299,295	456,190
Inventory	82,125	82,125
Prepays	<u>196,780</u>	<u>31,590</u>
	<b>31,818,140</b>	<b>12,423,445</b>
Restricted cash on deposit (Note 3)	1,912,430	1,538,125
Property and equipment (Note 4)	13,004,380	12,237,085
Intangibles (Note 5)	<u>37,500</u>	<u>40,000</u>
	<b>\$ 46,772,450</b>	<b>\$ 26,238,655</b>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 613,180	\$ 1,075,270
Asset retirement obligations (Note 6)	164,225	239,045
Future income taxes (Note 7)	1,540,520	1,655,510
Convertible debentures (Notes 8)	<u>62,650</u>	<u>62,650</u>
	<b><u>2,380,575</u></b>	<b><u>3,032,475</u></b>
<b>Shareholders' Equity</b>		
Share capital (Note 9b)	43,749,785	26,410,600
Warrants (Note 9d)	3,358,300	-
Contributed surplus (Note 9e)	6,732,940	4,474,570
Equity component of convertible debentures	2,350	2,350
Deficit	<u>(9,451,500)</u>	<u>(7,681,340)</u>
	<b><u>44,391,875</u></b>	<b><u>23,206,180</u></b>
	<b>\$ 46,772,450</b>	<b>\$ 26,238,655</b>

Contingent liabilities (Note 11)

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

### Interim Statements of Loss and Deficit

(unaudited – prepared by Management)

	<b>Three Months ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
<b>Revenue</b>				
Oil and gas	\$ <b>167,965</b>	\$ 305,255	\$ <b>328,490</b>	\$ 505,960
Less: royalties	<u><b>(33,360)</b></u>	<u>(59,175)</u>	<u><b>(63,850)</b></u>	<u>(103,080)</u>
	<b>134,605</b>	246,080	<b>264,640</b>	402,880
Interest and other	<u><b>269,295</b></u>	<u>102,740</u>	<u><b>490,175</b></u>	<u>186,245</u>
	<u><b>403,900</b></u>	<u>348,820</u>	<u><b>754,815</b></u>	<u>589,125</u>
<b>Expenses</b>				
Field operating costs	<b>183,740</b>	85,495	<b>272,340</b>	184,780
Depletion and depreciation	<b>32,805</b>	379,365	<b>69,485</b>	415,385
Accretion (Note 6)	<b>5,380</b>	5,335	<b>10,755</b>	10,890
General and administration	<b>195,235</b>	165,670	<b>435,660</b>	304,160
Stock based compensation	<u><b>1,058,875</b></u>	<u>-</u>	<u><b>1,851,725</b></u>	<u>194,680</u>
	<u><b>1,476,035</b></u>	<u>635,865</u>	<u><b>2,639,965</b></u>	<u>1,109,895</u>
Loss before income taxes	<b>(1,072,135)</b>	(287,045)	<b>(1,885,150)</b>	(520,770)
Future income tax recovery (Note 7)	<u><b>(11,840)</b></u>	<u>(151,755)</u>	<u><b>(114,990)</b></u>	<u>(168,030)</u>
Net loss	<b>\$ (1,060,295)</b>	\$ (135,290)	<b>\$ (1,770,160)</b>	\$ (352,740)
Deficit, beginning of period			<u><b>(7,681,340)</b></u>	<u>(6,451,695)</u>
Deficit, end of period			<b>\$ (9,451,500)</b>	<b>\$ (6,804,435)</b>
<b>Net loss per share</b>				
Basic and diluted	<u><b>\$ (0.02)</b></u>	<u>\$ (0.00)</u>	<u><b>\$ (0.04)</b></u>	<u>\$ (0.01)</u>

---

See accompanying notes to the interim consolidated financial statements.

# International Frontier Resources Corporation

## Interim Statements of Cash Flows

(unaudited)

	<u>Three Months ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2007	2006	2007	2006
<b>Operating</b>				
Net loss	\$ (1,060,295)	\$ (135,290)	\$ (1,770,160)	\$ (352,740)
Depletion and depreciation	32,805	379,365	69,485	415,385
Accretion	5,380	5,335	10,755	10,890
Abandonment costs incurred	(85,575)	-	(85,575)	-
Stock based compensation	1,058,875	-	1,851,725	194,680
Future income tax recovery	(11,840)	(151,755)	(114,990)	(168,030)
	<u>(60,650)</u>	97,655	<u>(38,760)</u>	100,185
 Change in non-cash operating working capital (Note 13)	 <u>(529,260)</u>	 33,110	 <u>(262,195)</u>	 578,840
	<u>(589,910)</u>	<u>130,765</u>	<u>(300,955)</u>	<u>679,025</u>
<b>Investing</b>				
Additions to property and equipment	(371,150)	(2,447,145)	(427,640)	(4,156,770)
Restricted cash on deposit	(374,305)	-	(374,305)	-
 Change in non-cash investing working capital (Note 13)	 <u>(101,915)</u>	 1,527,290	 <u>(208,190)</u>	 1,205,995
	<u>(847,370)</u>	<u>(919,855)</u>	<u>(1,010,135)</u>	<u>(2,950,775)</u>
<b>Financing</b>				
Private placements	-	2,814,310	22,700,000	2,889,315
Share issue costs	-	-	(2,002,515)	-
	<u>-</u>	<u>2,814,310</u>	<u>20,697,485</u>	<u>2,889,315</u>
 Net increase (decrease) in cash and cash equivalents	 (1,437,280)	 2,025,220	 19,386,395	 617,565
 Cash and cash equivalents, Beginning of period	 <u>32,677,220</u>	 12,939,580	 <u>11,853,545</u>	 14,347,235
End of period	<u>\$ 31,239,940</u>	<u>\$14,964,800</u>	<u>\$ 31,239,940</u>	<u>\$ 14,964,800</u>

See accompanying notes to the interim consolidated financial statements.

---

# International Frontier Resources Corporation

## Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

### 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 centers, being Canada and the United Kingdom.

---

### 2. Summary of significant accounting policies

The consolidated financial statements include the accounts of the Company, its 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 interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2006. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2006.

---

### 3. Restricted cash on deposit

As at June 30, 2007, the Company has provided an assignment of cash totaling \$1,912,430 (2006 - \$1,538,125) as security on the irrevocable standby letters of credit against restricted cash on deposit on Northwest Territories Exploration Licenses (see Note 11) as follows:

	<b>Six months ended</b>	Year ended
	<b><u>June 30, 2007</u></b>	<u>December 31, 2006</u>
EL – 423	\$ 310,000	\$ 310,000
EL - 429	781,250	781,250
EL - 432	250,000	250,000
EL – 441	196,875	196,875
EL – 445	68,750	-
EL - 443	<u>305,555</u>	<u>-</u>
	<b>\$ 1,912,430</b>	<b>\$ 1,538,125</b>

---

## International Frontier Resources Corporation

### Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

#### 4. Property and equipment

<u>June 30, 2007</u>	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net Book Value</u>
Petroleum and natural gas properties	\$ 16,031,565	\$ 3,049,880	\$ 12,981,685
Office furniture and equipment	<u>82,480</u>	<u>59,785</u>	<u>22,965</u>
	<u>\$ 16,114,045</u>	<u>\$ 3,109,665</u>	<u>\$ 13,004,380</u>

<u>December 31, 2006</u>	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net Book Value</u>
Petroleum and natural gas properties	\$ 15,197,280	\$ 2,985,915	\$ 12,211,365
Office furniture and equipment	<u>82,480</u>	<u>56,760</u>	<u>25,720</u>
	<u>\$ 15,279,760</u>	<u>\$ 3,042,675</u>	<u>\$ 12,237,085</u>

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 cost of \$10,462,310 (2006 - \$10,462,310) have no cost basis for income tax purposes.

During the six months ended June 30, 2007, \$71,210 (2006 - \$135,230) of overhead expenses directly related to exploration and development activities in the Northwest Territories and \$221,875 (2006 - \$425,045) related to exploration and development and prospect generation in the North Sea were capitalized. Of these amounts, \$3,080 (2006 - \$6,175) related to interest expense capitalized for activities the Northwest Territories and \$Nil (2006 - \$Nil) related to the activities in the North Sea. Also during the period, \$406,640 (2006 - \$Nil) of stock based compensation was recognized in the period were capitalized to petroleum and natural gas properties.

As at June 30, 2007, undeveloped properties in the Northwest Territories with a cost of \$10,685,860 (2006 - \$10,251,460) and undeveloped properties in the North Sea with a cost of \$1,509,910 (2006 - \$1,105,265) have been included in petroleum and natural gas properties but have not been included in the respective cost centers for purposes of calculating depletion.

As at June 30, 2007, \$Nil (2006 - \$1,000,620) impairment of petroleum and natural gas assets has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves. These amounts are included in depletion and depreciation on the consolidated statements of loss and deficit.



---

## International Frontier Resources Corporation

### Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

#### 5. Intangible assets

##### June 30, 2007

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
License (Sidox)	\$ <u>50,000</u>	\$ <u>12,500</u>	\$ <u>37,500</u>

##### December 31, 2006

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
License (Sidox)	\$ <u>50,000</u>	\$ <u>10,000</u>	\$ <u>40,000</u>

---

#### 6. 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 required to settle its asset retirement obligations is approximately \$472,500 (2006 - \$472,500). A credit-adjusted risk-free rate of 9% and inflation rate of 2% was used to calculate the fair value of the asset retirement obligations. A reconciliation of the asset retirement obligations is provided below:

	<u>Six months ended June 30, 2007</u>	<u>Year ended December 31, 2006</u>
Balance, beginning of period	\$ <b>239,045</b>	\$ 201,390
Liabilities incurred	-	22,055
Liabilities settled	<b>(85,575)</b>	(5,960)
Accretion expense	<u>10,755</u>	<u>21,560</u>
Balance, end of period	<u>\$ <b>164,225</b></u>	<u>\$ 239,045</u>

---

## International Frontier Resources Corporation

### Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

#### 7. 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 32.49% (2006 - 32.49%) to loss before income taxes. This difference results from the following items:

	Six months ended <u>June 30, 2007</u>	Year ended <u>December 31, 2006</u>
Loss before income taxes	\$ <u>(1,885,150)</u>	\$ <u>(2,013,115)</u>
Expected tax recovery at combined federal and provincial statutory rates	\$ (612,490)	\$ (676,410)
Increase (decrease) resulting from:		
Statutory rate change	-	(85,000)
Resource allowance	-	8,725
Stock-based compensation	601,630	524,985
Valuation allowance	(116,240)	88,330
Other	<u>12,110</u>	<u>(36,510)</u>
Future income tax recovery	\$ <u>(114,990)</u>	\$ <u>(175,880)</u>

---

#### 8. Convertible debentures

At June 30, 2007, the fair value of the remaining \$65,000 of convertible debentures is approximately \$62,650. The debentures pay interest at a rate of 9.5% per year and the remainder of the convertible debentures are convertible into common shares at \$0.70 per share to June 2007 and \$0.75 per share to June 2008 at which time they expire.

# International Frontier Resources Corporation

## Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

### 9. Share capital

#### a) Authorized:

Unlimited common shares  
Unlimited preferred shares

#### b) Issued:

	<b>June 30, 2007</b>		December 31, 2006	
	<b>Number of Shares</b>	<b>Amount</b>	Number of Shares	Amount
<b>Common shares</b>				
Beginning of period	42,041,465	\$ 26,410,600	40,245,215	\$ 25,111,255
Issued for cash	12,400,000	15,500,000	-	-
Value attributed to warrants	-	(3,358,300)	-	-
Issued upon exercise of warrants	-	-	1,521,250	2,814,315
Issued upon exercise of options	-	-	275,000	399,625
Flow-through shares	4,800,000	7,200,000	-	-
Share issue costs	-	(2,002,515)	-	-
Balance, end of period	59,241,465	\$ 43,749,785	42,041,465	\$ 26,410,600

#### c) Stock options:

The Company has a stock option plan available to 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 June 30, 2007, 5,855,000 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

	<b>June 30, 2007</b>		December 31, 2006	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	3,355,000	\$ 1.42	3,320,000	\$ 1.34
Granted	2,500,000	\$ 0.97	500,000	\$ 1.57
Expired	-	\$ -	(190,000)	\$ 1.37
Exercised	-	\$ -	(275,000)	\$ 0.64
Balance, end of period	5,855,000	\$ 1.23	3,355,000	\$ 1.42

# International Frontier Resources Corporation

## Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

### 9. Share capital (Continued)

#### c) Stock options:

<u>Expiry dates</u>	<u>June 30, 2007</u>		<u>December 31, 2006</u>	
	<u>Number of Options</u>	<u>Price</u>	<u>Number of Options</u>	<u>Price</u>
December 23, 2008	465,000	\$ 0.45	465,000	\$ 0.45
January 26, 2009	90,000	\$ 0.50	90,000	\$ 0.50
April 1, 2009	75,000	\$ 0.45	75,000	\$ 0.45
November 16, 2009	525,000	\$ 1.50	525,000	\$ 1.50
December 23, 2009	800,000	\$ 1.60	800,000	\$ 1.60
February 11, 2010	800,000	\$ 1.85	800,000	\$ 1.85
September 15, 2010	100,000	\$ 1.35	100,000	\$ 1.35
January 5, 2011	150,000	\$ 1.95	150,000	\$ 1.95
June 30, 2011	350,000	\$ 1.40	350,000	\$ 1.40
January 9, 2012	800,000	\$ 1.30	-	\$ -
June 26, 2012	<u>1,700,000</u>	<u>\$ 0.82</u>	-	\$ -
	<u>5,855,000</u>	<u>\$ 1.23</u>	<u>3,355,000</u>	<u>\$ 1.42</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 - \$0.82	2,330,000	4.06	\$ 0.72	2,330,000	\$ 0.72
\$1.30 - \$1.95	<u>3,525,000</u>	<u>3.59</u>	<u>\$ 1.56</u>	<u>3,525,000</u>	<u>\$ 1.56</u>
	<u>5,855,000</u>	<u>3.53</u>	<u>\$ 1.23</u>	<u>5,855,000</u>	<u>\$ 1.23</u>

The weighted average fair market value of options granted in the period ended June 30, 2007 is \$0.97 per option (2006 - \$1.46 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>June 30, 2007</u>	<u>December 31, 2006</u>
Risk-free interest rate	4.37%	4.20%
Expected life of options	5 years	5 years
Volatility in price of the Company's shares	167.46%	151.00%
Dividend yield rate	0%	0%

# International Frontier Resources Corporation

## Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

### 9. Share capital (Continued)

#### d) Warrants:

Warrants outstanding are as follows:

	June 30, 2007		December 31, 2006	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of period	-	\$ -	1,637,500	\$ -
Issued in conjunction with Shares issued (i)	<b>7,504,000</b>	<b>3,358,300</b>		
Exercised (ii)	-	-	(1,521,250)	-
Expired (ii)	-	-	(116,250)	-
Balance, end of period	<b><u>7,504,000</u></b>	<b><u>\$ 3,358,300</u></b>	<u>-</u>	<u>\$ -</u>

The weighted average fair market value of warrants granted in the period ended June 30, 2007 is \$0.45 per warrant (2006 – \$Nil). The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2007
Risk-free interest rate	4.11%
Expected life of warrants	1 year
Volatility in price of the Company's shares	81%
Dividend yield rate	0%

- (i) In conjunction with a bought deal financing on February 22, 2007 the Company issued 12,400,000 units at a price of \$1.25 per unit, for gross proceeds of \$15,500,000. Each unit is comprised of one common share and one-half warrant. One full warrant entitles the holder, on exercise to purchase one additional non-flow through share at a price of \$1.60 per share on or before February 22, 2008. Concurrently with the issuance of the units, the Company issued 1,204,000 underwriter warrants which entitle 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 consists of one common share and one warrant. One warrant entitles the holder to acquire one common share at a price of \$1.60 on or before February 22, 2008. On the same date the Company issued 4,800,000 flow-through shares at a price of \$1.50 per flow-through share, for gross proceeds of \$7,200,000.
- (ii) 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. At December 31, 2006, 1,521,250 warrants have been exercised and the remaining 116,250 warrants expired on May 24, 2006.

---

## International Frontier Resources Corporation

### Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

#### 9. Share capital (Continued)

##### e) Contributed surplus:

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Balance, beginning of period	\$ 4,474,570	\$ 3,928,115
Value attributed to stock options granted	2,258,370	729,830
Value of stock options exercised	<u>-</u>	<u>(183,375)</u>
Balance, end of period	<u>\$ 6,732,940</u>	<u>\$ 4,474,570</u>

At June 30, 2007, \$406,640 (2006 – \$Nil) of the value attributed to stock options granted in the period were capitalized to petroleum and natural gas properties.

---

#### 10. Related party transactions

During the period, the Company paid consulting fees to certain officers and directors as follows:

	<u>Six months ended June 30, 2007</u>	<u>Year ended December 31, 2006</u>
Consulting fees and salaries	\$ 32,000	\$ 282,500
Royalty expense	<u>-</u>	<u>12,690</u>
	<u>\$ 32,000</u>	<u>\$ 295,190</u>

At June 30, 2007, \$Nil (2006 – \$85,190) of the above amounts were included in payables and accruals.

In addition, during the period \$560 (2006 - \$43,600) was paid to a law firm in which a Director of the Company is a partner. Of this amount \$Nil is included in payables and accruals at June 30, 2007. These costs are included in general and administrative expenses on the consolidated statements of loss and deficit.

The above transactions have been recorded at the exchange amounts that were established and agreed upon by the related parties.

---

## International Frontier Resources Corporation

### Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

#### 11. Commitments and contingencies

- a) The Company has lodged a letters of credit for its share of refundable deposits on NWT Exploration Licenses. The letters of credit are secured by a total assignment of cash of \$1,912,430 (2006 – \$1,538,125). The Company is contingently liable under the letters of credit for its proportionate share of the refundable deposit of \$1,912,430 (2006 - \$1,538,125). The deposits are refundable to the Company upon the Company meeting its work commitments, in whole or in part in the amount of \$6,921,280. The deposits will be refunded by \$1 for every \$4 spent on qualified expenditures on each Exploration License.

	<u>Proportionate share of refundable deposit</u>	<u>Proportionate share of work commitment</u>
EL – 423	\$ 310,000	\$ 1,240,000
EL – 429	781,250	3,125,000
EL – 432	250,000	1,000,000
EL – 441	196,875	59,060
EL – 445	68,750	275,000
EL – 443	<u>305,555</u>	<u>1,222,220</u>
	<u>\$ 1,912,430</u>	<u>\$ 6,921,280</u>

- 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 are as follows:

2007	\$	43,285
2008	\$	86,570
2009	\$	86,570
2010	\$	86,570
2011	\$	86,570

---

#### 12. 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.

---

## International Frontier Resources Corporation

### Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

#### 12. Financial Instruments (Continued)

##### 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.

##### c) 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 cash and cash equivalents on hand that are denominated in United States currency and is exposed to foreign currency fluctuations on its operations in the United Kingdom as these are denominated in British pounds. At December 31, 2006, there were no contracts in place to fix the exchange rates on these transactions.

---

#### 13. Supplemental cash flow information

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

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Receivables	\$ (462,090)	\$ (1,752,995)
Prepays	(165,190)	(120,140)
Payables and accruals	<u>156,895</u>	<u>73,620</u>
	<u>\$ (470,385)</u>	<u>\$ (1,799,515)</u>
Operating activities	\$ (262,195)	\$ (1,090,090)
Investing activities	(208,190)	(656,295)
Financing activities	<u>-</u>	<u>(53,130)</u>
	<u>\$ (470,385)</u>	<u>\$ (1,799,515)</u>
Interest paid	<u>\$ 3,080</u>	<u>\$ 17,360</u>



---

## International Frontier Resources Corporation

### Notes to the Consolidated Interim Financial Statements

(unaudited) – June 30, 2007

---

#### 14. 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.

##### June 30, 2007

	<u>Canada</u>	<u>U.K.</u>	<u>Total</u>
Oil and gas revenues, net	\$ 264,640	\$ -	\$ 264,640
Interest and other income	<u>490,175</u>	<u>-</u>	<u>490,175</u>
Total revenues, net	<u>754,815</u>	<u>-</u>	<u>754,815</u>
Capital expenditures			
Cash expenditures	\$ 134,830	\$ 292,810	\$ 427,640
Stock options costs	<u>294,800</u>	<u>111,840</u>	<u>406,640</u>
	<u>\$ 429,630</u>	<u>\$ 404,650</u>	<u>\$ 834,280</u>
Property and equipment	<u>\$ 11,494,470</u>	<u>\$ 1,509,910</u>	<u>\$ 13,004,380</u>

##### December 31, 2006

	<u>Canada</u>	<u>U.K.</u>	<u>Total</u>
Oil and gas revenues, net	\$ 746,365	\$ -	\$ 746,365
Interest and other income	<u>621,595</u>	<u>-</u>	<u>621,595</u>
Total revenues, net	<u>1,367,960</u>	<u>-</u>	<u>1,367,960</u>
Capital expenditures	<u>\$ 5,504,000</u>	<u>\$ 929,410</u>	<u>\$ 6,433,410</u>
Property and equipment	<u>\$ 11,131,820</u>	<u>\$ 1,105,265</u>	<u>\$ 12,237,085</u>