International Frontier Resources Corporation

Interim Consolidated Financial Statements

For The Three Month Periods Ended March 31, 2010 and 2009

Contents

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Consolidated Financial Statements
For the three month periods ended March 31, 2010 and 2009
(Unaudited)

National Instrument 51-102 Notice

The consolidated financial statements of International Frontier Resources Corporation ("the Company") for the three month period ended March 31, 2010 and 2009 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, 2010 (unaudited)	December 31, 2009 (audited)
Assets		
Current		
Cash and cash equivalents (Note 9)	**$ 3,828,135**	$ 4,099,740
Receivables	**133,825**	144,295
Prepaids and deposits	**173,230**	115,555
Discontinued operations (Note 11)	**3,993,180**	3,978,035
	8,128,370	8,337,625
Restricted cash on deposit	**640,670**	640,670
Property and equipment (Note 5)	**11,926,305**	11,696,305
Intangibles	**23,750**	25,000
	$ 20,719,095	$ 20,972,600
Liabilities		
Current		
Payables and accruals	**$ 278,550**	$ 212,575
Discontinued operations (Note 11)	**203,540**	259,415
	482,090	47,990
Asset retirement obligations	**334,230**	327,720
	816,320	799,710
Shareholders' Equity		
Share capital (Note 6)	**42,064,435**	42,064,435
Contributed surplus (Note 6)	**10,746,850**	10,746,850
Deficit	**(32,908,510)**	(32,638,395)
	19,902,775	20,172,890
	$ 20,719,095	$ 20,972,600

Commitments and contingencies (Note 10)
Subsequent events (Note 13)

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,		2010		2009
Revenue				
Oil	$	**189,060**	$	141,640
Less: Royalties		**(40,835)**		(30,805)
		148,225		110,835
Interest income		**695**		22,740
		148,920		133,575
Expenses				
Field operating costs		**104,745**		104,320
Depletion, depreciation and impairments		**77,655**		17,070
Accretion (Note 8)		**12,930**		11,830
General and administration		**119,450**		100,285
		314,780		233,505
Loss before income taxes from continuing operations		**(165,860)**		(99,930)
Future income tax		**-**		-
Net loss from continuing operations		**(165,860)**		(99,930)
Net loss from discontinued operations (Note 11)		**(104,255)**		(2,078,565)
Net loss		**(270,115)**		(2,178,495)
Deficit, beginning of period		**(32,638,395)**		(17,924,945)
Deficit, end of period	$	**(32,908,510)**	$	(20,103,440)

Net loss from continuing operations per share (Note 9)				
Basic and diluted `	$	**(0.003)**	$	(0.00)
Net loss from discontinued operations per share (Note 9)				
Basic and diluted `	$	**(0.002)**	$	(0.04)
-				
Net loss per share (Note 9)				
Basic and diluted `	$	**(0.005)**	$	(0.04)

See accompanying notes to the consolidated financial statements.

International Frontier Resources Corporation
Consolidated Statements of Cash Flows

Three months ended March 31,	2010	2009
Operating		
Net loss from continuing operations	$ (165,860)	$ (104,585)
Non Cash Items:		
Depletion, depreciation and impairments	77,655	17,070
Accretion	12,930	11,830
Asset retirement liabilities settled	(6,420)	-
	(81,695)	(75,685)
Change in non-cash operating working capital (Note 9)	21,475	(69,875)
Cash flow from continuing operations	(60,220)	(146,170)
Cash flow from discontinued operations (Note 11)	(66,405)	(610)
	(126,625)	(146,170)
Investing		
Additions to property and equipment	(33,400)	245,420
Decrease in restricted cash on deposit	-	746,860
Change in non-cash investing working capital (Note 9)	(2,710)	(916,425)
Cash flow from continuing investing activities	(33,400)	75,855
Cash flow from discontinued investing activities (Note 11)	(108,870)	(8,745)
	(144,980)	67,110
Net decrease in cash and cash equivalents	(271,605)	(79,060)
Cash and cash equivalents (Note 9)		
Beginning of period	4,099,740	9,081,465
End of period	$ 3,828,135	$ 9,002,405

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 financial statements include the accounts of the Company, its 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. At March 31, 2010, operations in the United Kingdom have been accounted for as discontinued pursuant to sale of the Company`s wholly owned subsidiary Britcana Energy Ltd. in April 2010.

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

Starting in 2008 and continuing into 2010, the global credit market crisis, the volatility in the price of oil and natural gas, the recessions in the United States ("U.S.") and Canada and the slowdown of economic growth in the rest of the world have created a substantially more volatile business environment. These conditions may limit certain of the Corporation's planned business development activities and will continue to present risks.

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, 2009, 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, 2009.

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, 2009 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, 2009. The disclosures provided below are incremental to those included with the year end financial statements.

3. Accounting policies

Changes in accounting policies and new pronouncements

- 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.

- January, 2009, CICA Handbook Section 1601 – Consolidated Financial Statements was issued which, together with new CICA Handbook Section 1602 – Non-controlling Interests, replaces the former Section 1600 – Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Report Standards IAS 27 – Consolidated and Separate Financial Statements. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation does not anticipate that these sections will have a material impact on its financial statements.

4. Capital Management

In the management of capital, the Company includes shareholders' equity and working capital 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, 2010, the Company's capital as defined above was as follows:

	March 31, 2010	December 31, 2009
Total shareholder's equity	**$ 19,902,775**	$ 20,172,890
Working capital:		
Cash and cash equivalents	**3,828,135**	4,099,740
Current portion of restricted cash	**-**	-
Payables and accruals	**(278,550)**	(212,575)
	$ 23,452,360	$ 24,060,055

The Company is in the business of oil and gas exploration in Canada. 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.

4. Capital Management

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 revenue from properties owned in Alberta. The Company therefore is dependent upon partnerships with industry and external financing to fund the majority of its future exploration programs and its administrative costs. 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.

5. Property and equipment

Property and equipment includes costs incurred in Canada to March 31, 2010. All costs incurred in the U.K. have been included in Discontinued Operations (Note 15).

March 31, 2010	Cost	Accumulated Depletion, Depreciation and Impairments	Net Book Value
Petroleum and natural gas properties	$ 28,594,000	$ 16,680,910	$ 11,913,090
Office furniture and equipment	84,980	71,765	13,215
Petroleum and natural gas properties	$ 28,678,980	$ 16,752,675	$ 11,926,305

December 31, 2009	Cost	Accumulated Depletion, Depreciation and Impairments	Net Book Value
Petroleum and natural gas properties	$ 28,560,600	$ 16,605,325	$ 11,955,275
Office furniture and equipment	84,980	70,950	14,030
Petroleum and natural gas properties	$ 28,645,580	$ 16,676,275	$ 11,969,305

During the period ended March 31, 2010, $24,450 (December 31, 2009 - $65,475) of overhead expenses directly related to exploration activities in the Northwest Territories were capitalized.

5. Property and equipment

As at March 31, 2010, the Company has accumulated capital expenditures for land, seismic, and drilling in the Northwest Territories of $28,594,000 (2009 - $28,560,600). Included in this amount are costs of $10,096,605 (2009 - $10,072,160) which have been included in petroleum and natural gas properties as unproved properties and have not been included in the respective cost centers for purposes of calculating depletion. During 2010, the Company transferred $8,950 of unproved property costs incurred in the Northwest Territories to the full cost pool.

At March 31, 2010, $Nil (2009 - $Nil) impairment of petroleum and natural gas assets in Canada has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves.

6. Share capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

b) Issued:

	March 31, 2010		December 31, 2009	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares				
Balance, end of period	**59,578,965**	**$ 42,064,435**	59,578,965	$ 42,064,435

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, 2010, 3,895,000 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, 2010		December 31, 2009	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	**3,895,000**	**$ 0.26**	1,015,000	$ 1.16
Granted	**-**	**$ -**	3,320,000	$ 0.10
Expired	-	**$ -**	(440,000)	$ 1.16
Exercised	**-**	**$ -**	-	$ -
Balance, end of period	**3,895,000**	**$ 0.26**	3,895,000	$ 0.26

6. Share capital

c) Stock options

March 31, 2010	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.10	3,320,000	4.08	$ 0.10	3,320,000	$ 0.10
$0.82	350,000	2.24	$ 0.82	350,000	$ 0.82
$1.35 - $1.95	225,000	0.63	$ 1.68	225,000	$ 1.68
	3,895,000	3.72	$ 0.26	3,895,000	$ 0.26

d) Contributed surplus:

	March 31, 2010	December 31, 2009
Balance, beginning of year	**$ 10,746,850**	$ 10,490,030
Fair value of expired warrants	**-**	256,820
Balance, end of period	**$ 10,746,850**	$ 10,746,850

7. Related party transactions

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Executive officers compensation	**$ 33,000**	$ 40,500
Royalty incentive program	**3,120**	1,890
	$ 36,120	$ 42,390

At March 31, 2010, $3,120 (December 31, 2009 – $11,145) of the above amounts were included in payables and accruals.

b) During the period ended March 31, 2010, $40,675 (2009 - $1,315) was paid to a law firm in which a Director of the Company is a partner. Of this amount, $40,675 (2009 - $Nil) is included in payables and accruals at March 31, 2010. These costs were incurred for services provided with respect to sale of Britcana Energy Ltd.

c) During the period ended March 31, 2010, two of the directors of the Company were also directors of Sidox Chemicals Canada Ltd. Details of transactions with Sidox Chemicals Canada Ltd during 2009 are disclosed in Note 4.

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, 2010	Three months ended March 31, 2009
Net loss from continuing operations	**$ (165,860)**	$ (99,930)
Weighted average number of shares	**59,578,965**	59,578,965
Basic and diluted loss per share	**$ (0.003)**	$ (0.00)
Net loss from discontinued operations	**$ (104,255)**	$ (2,078,565)
Weighted average number of shares	**59,578,965**	59,578,965
Basic and diluted loss per share	**$ (0.002)**	$ (0.04)
Net loss	**$ (270,115)**	$ (2,178,495)
Weighted average number of shares	**59,578,965**	59,578,965
Basic and diluted loss per share	**$ (0.005)**	$ (0.04)

In calculating diluted common share amounts for the period ended March 31, 2010, the Company excluded 3,895,000 (2009 – 965,000) options, because the exercise price was greater than the average market price of its common shares during the year.

9. Supplemental cash flow information

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Receivables	**$ 10,470**	$ (16,745)
Prepaids	**(57,675)**	(39,540)
Payables and accruals	**65,970**	(930,015)
	$ 18,765	$ (986,300)
Operating activities	**$ 21,475**	$ (69,875)
Investing activities	**(2,710)**	(916,425)
	$ 18,765	$ (986,300)
Taxes paid	**$ -**	$ -
Interest paid	**$ -**	$ -
Cash and cash equivalents are comprised of:		
Cash	$ **3,828,135**	$ 1,823,590
Short term banker's acceptances	**-**	7,178,815
	$ 3,828,135	$ 9,002,405

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 $640,670 (2009 – $640,670). The Company is contingently liable under the letters of credit for $640,670 (2009 - $640,670). The deposits will be refunded by $1 for every $4 spent on qualified expenditures on each exploration license.

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:

2010	$	40,050
2011	$	53,400

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 December 31, 2009, payout of 100% of cumulative annual capital expenditures had not been reached. At March 31, 2010, the Company recorded costs of $3,675 (2009 - $2,700) with respect to this plan.

11. Discontinued Operations

a) On December 14, 2009, the Company entered into an agreement to sell its 8.33% interest in UK License P.233 (Maria block 15/18a) for proceeds of $650,000 USD. Pursuant to this agreement, the net book value of the property was written down by $3,079,085 to its fair value.

b) On March 25, 2010, the Company entered into an agreement to sell 100% of the ordinary shares in its wholly owned U.K. subsidiary Britcana Energy Ltd. to Nexen Petroleum U.K. Limited. The purchase price for the shares will be $5,000,000 USD comprised of an initial consideration of $3,000,000 USD to be received upon closing and two future payments of $1,000,000 USD. Due to the fact that the second and third payments are contingent on the successful development of Britcana's 10% interest in UK License P 1465 (block 15/23c), the Company cannot assess at this time whether or not these amounts will be received.

11. Discontinued Operations (continued)

The Company's net investment in Britcana Energy Ltd. and its North Sea operations for the period ended March 31, 2010 have been presented as discontinued operations in these financial statements. Consequently, as a result of classification of Britcana's North Sea activities as discontinued operations, the Company now has one reportable geographical segment.

A summary of discontinued operations is as follows:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Oil revenues, net	$ -	$ -
Less: royalties	-	-
	-	-
Interest income	-	-
	-	-
Expenses		
Field operating costs	-	-
Depletion, depreciation, impairments and writedowns	38,260	2,073,910
Foreign exchange (gain) loss	(5,780)	3,860
General and administration	71,770	795
	104,250	2,078,565
Net loss from discontinued operations	$ (104,250)	$ (2,078,565)

At March 31, 2010 there was a future tax asset from discontinued operations of $3,150,425 (December 31, 2009 -$3,128,160). The future tax asset was not recognized at March 31, 2010 and a valuation allowance was recorded to bring the balance of future income taxes in to $Nil (2009- $Nil).

The following table represents the balances that have been classified on the consolidated balance sheets as discontinued operations:

	2010	2009
Cash	$ 265	$ 3,660
Receivables	-	9,020
Property and equipment	3,992,915	3,965,335
Total assets of discontinued operations	3,993,180	3,978,035
Payables and accruals	(540)	(56,415)
Asset retirement obligations	(203,000)	(203,000)
Total liabilities of discontinued operations	(203,540)	(259,415)
Net assets of discontinued operations	$ 3,789,640	$ 3,718,620

All of the above balances have been classified as current on the consolidated balance sheet at March 31, 2010 due to the fact that the transactions closed in April 2010.

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.

12. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, restricted cash, 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, 2010, 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 following table presents the aging of the Company's accounts receivable at March 31, 2010:

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 133,825	$ 70,125	$ -	$ -	$ 63,700

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 2010, there was no allowance for doubtful accounts recorded as all amounts outstanding at March 31, 2010 are deemed collectible.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance account. At March 31, 2010, the Company's allowance for doubtful accounts balance was $Nil (2009 – $Nil).

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

12. Financial Instruments (continued)

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

At March 31, 2010, the carrying amount of the Company's U.K. pound denominated net monetary assets was approximately C$275. 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 at March 31, 2010, 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, and 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 or obtain project debt financing.

At March 31, 2010 the Company had cash and cash equivalents of $3,828,135 (December 31, 2009 - $4,099,740), and working capital was $7,646,480 (December 31, 2009 - $7,865,635). The Company has sufficient working capital to fund its share of its current 2010-2011 budgeted firm and contingent capital expenditures. Subsequent to March 31, 2010 the Company received $3,789,640 from the sale of North Sea properties and the sale of its 100% owned U.K. subsidiary Britcana Energy Ltd. (Note 11).

12. Financial Instruments (continued)

e) Fair value of financial instruments

The Company's financial instruments as at March 31, 2010 include cash and cash equivalents, trade accounts receivable, restricted cash and trade accounts payable. The fair values of trade accounts receivable and trade accounts payable approximate their carrying amounts due to their short terms to maturity. The restricted cash balances are equal to their fair values. The Company classifies the fair value of financial instruments held for trading according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At March 31, 2010 cash and cash equivalents and restricted cash have been classified as Level 1.

13. Subsequent events

On April 13, 2010 the Company closed the sale of its 8.33% interest in U.K. License P.233 (Maria block 15/18a) and the sale of its 100% shareholding in its wholly owned U.K. subsidiary Britcana Energy Ltd. The total consideration received for the two sales was $3,789,640 CAD. On May 10, 2010 one of the partners in the North Bugle well reported the well was plugged and abandoned as a dry hole therefore IFR will not be receiving the future consideration of US$2 million.