

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 13, 2008

The following is Management's Discussion and Analysis ("MD&A") of Iteration Energy Ltd. (the "Company" or "Iteration") operating and financial results as at and for the three and six month periods ended June 30, 2008 as well as information and estimates concerning the Company's future outlook based on currently available information. This discussion should be read in conjunction with Iteration's unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2008 and the audited consolidated financial statements as at and for the year ended December 31, 2007, together with accompanying notes. Readers should also refer to Iteration's 2007 Annual Information Form and Management's Discussion and Analysis for the year ended December 31, 2007. All financial information is reported in Canadian dollars, unless noted otherwise, and in accordance with Canadian generally accepted accounting principles ("GAAP").

Certain amounts in prior periods have been reclassified to enable comparison with the current period's presentation.

Natural gas is converted to crude oil equivalent at a ratio of six thousand cubic feet to one barrel of oil equivalent ("boe"). Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Additional information about Iteration Energy Ltd. filed with Canadian securities commissions, including periodic quarterly and annual reports and the Annual Information Form (AIF), is available on-line at www.iterationenergy.com and at www.sedar.com.

ITERATION OVERVIEW

Iteration is a Canadian oil and gas company with focus areas in Northeast British Columbia/Northwest Alberta, East Central Alberta and Southern Alberta. The most significant currently producing properties are Boundary Lake and Umbach in Northeast British Columbia and Gold Creek, Knopcik, Coyote Creek and Rainbow in Alberta.

The Company strives to operate its properties whenever possible and to maintain high working interests. Iteration believes this high level of operatorship can translate to controlling costs, timing of capital outlays and projects as well as providing competitive advantages for future opportunities.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The major highlights of the three months ended June 30, 2008 include:

- Increased quarter over quarter average production by 66% to approximately 18,150 boed. This represents a 188% increase over the corresponding quarter of 2007.
- Funds from operations of \$52.8 million increased 86% over first quarter of 2008 and 265% when compared to the second quarter of 2007. Funds flow per diluted share remained at \$0.31 per share for the first and second quarter of 2008 and increased by 39 % when compared to the comparative quarter in 2007. Current quarter funds from operations includes reductions of \$9.3 million for amounts receivable from SemCAMS and SemCanada as a result of their filing for protection under the Companies Creditor Arrangement Act (CCAA) and \$9.7 million for stock options exercised for cash. Had these unusual events not occurred during the quarter, funds from operations for the quarter would have been \$71.8 million.
- Drilled 6.1 net wells with a 100 % success record (4.0 oil and 2.1 gas)

- Acquired undeveloped lands in Alberta and British Columbia through landsales with significant horizontal drilling upside. Total landsale acquisitions were approximately \$18 million during the quarter.
- Net debt on June 30, 2008 was \$222 million resulting in a debt to annualized quarter funds flow ratio of 1.1 : 1.

Financial Highlights (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Financial				
(\$thousands, except as noted)				
Production revenue before royalties	\$127,175	\$26,806	\$182,739	\$50,550
Funds from operations ⁽²⁾	\$52,824	\$14,464	\$81,337	\$26,842
Per Share (\$) ⁽¹⁾				
- basic	\$0.32	\$0.23	\$0.63	\$0.45
- diluted	\$0.31	\$0.23	\$0.62	\$0.45
Net earnings (loss)	\$672	\$(639)	\$2,362	\$(4,308)
Per Share (\$) ⁽¹⁾				
- basic	\$0.00	\$(0.01)	\$0.02	\$(0.07)
- diluted	\$0.00	\$(0.01)	\$0.02	\$(0.07)
Royalties	\$27,199	\$4,601	\$38,878	\$9,419
Production expense	\$20,291	\$4,910	\$30,488	\$9,098
Transportation expense	\$1,982	\$846	\$3,451	\$1,577
General and administrative	\$3,195	\$1,360	\$5,472	\$2,451
Stock based compensation expense	\$13,799	\$708	\$20,908	\$5,208
Depletion, depreciation, and accretion expense	\$39,045	\$14,997	\$60,600	\$27,992
Total assets	\$1,236,662	\$259,420	\$1,236,662	\$259,420
Bank Indebtedness				
Bank loans	\$243,000	\$50,370	\$243,000	\$50,370
Working capital deficiency (surplus) ⁽²⁾	(20,801)	10,642	(20,801)	10,642
Net bank indebtedness	\$222,129	\$61,012	\$222,129	\$61,012
Net debt to annualized quarter funds flow	1.1 : 1	0.6 : 1	1.1 : 1	0.6 : 1
Capital expenditures:				
Property acquisitions, net of dispositions	\$2,929	\$2,019	\$4,546	\$2,251
Exploration and development	\$28,479	\$12,948	\$68,635	\$52,951

**Shares outstanding
(thousands)**

Common shares	166,020	64,844	166,020	64,844
Weighted average – basic	165,812	62,489	129,266	60,032
Weighted average – diluted ⁽³⁾	168,413	62,489	131,242	60,032
Warrants	117	4,930	117	4,930
Stock options	8,498	5,714	8,498	5,714

- (1) Management uses funds from operations and funds from operations per share (before changes in non-cash working capital and asset retirement expenditures) to analyze operating performance and leverage. Funds from operations and funds from operations per share as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore they may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or income from operations for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. All references to funds from operations and funds from operations per share throughout this Management's Discussion and Analysis are based on cash flow from operating activities before changes in non-cash working capital.
- (2) Working capital deficiency (surplus) does not include stock based compensation payable.
- (3) For 2007 periods with a net loss, per share amounts are based on basic common shares outstanding for the period.

Operating Highlights

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Operating				
Gas:				
Daily production (mcf/d)	76,563	35,719	62,180	34,260
Average price (\$/mcf)	\$10.50	\$7.58	\$9.62	\$7.48
Light Oil:				
Daily production (bbls/d)	3,840	129	2,725	138
Average price (\$/bbl)	\$129.54	\$66.19	\$119.31	\$63.61
Heavy Oil:				
Daily production (bbls/d)	168	58	192	60
Average price (\$/bbl)	\$89.54	\$56.27	\$77.47	\$48.32
Natural Gas Liquids (NGLs):				
Daily production (bbls/d)	1,377	171	1,237	173
Average price (\$/bbl)	\$58.68	\$71.01	\$53.09	\$69.05
Total Production (boed)	18,146	6,311	14,517	6,081
Land				
Net undeveloped land holdings (acres)	748,000	230,000	748,000	230,000
Drilling				

Wells drilled (net)								
Gas		2.1		4.0		21.6		20.0
Oil		4.0		1.0		6.9		1.0
Injector				-		1.0		-
Dry		-		-		1.7		1.0
Total		6.1		5.0		31.2		22.0
Success rate (%)		100		100		94.6		95.5

Quarterly Financial Data

(\$ thousands except per share data)

Quarter ended	2008		2007		2006			
	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30
Revenues	\$127,175	\$55,564	\$29,265	\$22,161	\$26,806	\$23,744	\$17,940	\$16,888
Net earnings (loss)	\$672	\$1,690	\$(3,149)	\$(1,985)	\$(639)	\$(3,669)	\$(3,225)	\$(2,370)
Net earnings (loss) per common share – basic and diluted (\$)	\$0.00	\$0.02	\$(0.05)	\$(0.03)	\$(0.01)	\$(0.06)	\$(0.06)	\$(0.04)

OPERATING RESULTS

Net Earnings (Loss)

Iteration's net earnings for the three months ended June 30, 2008 was \$0.7 million, as compared to a net loss of \$0.6 million for the three months ended June 30, 2007. Included in the calculation of net earnings for the quarter are:

- Stock based compensation expense of \$13.8 million as compared to \$0.7 million for the same quarter in 2007;
- During the quarter, 3,605,000 warrants which were set to expire on September 21, 2008 were exercised by officers and directors of the Company for cash in lieu, representing the difference between the exercise price of the warrant and the Company's share price at the time of exercise, which resulted in a cash payment by the Company of \$20.9 million, \$3.5 million of which has been recorded as an expense in the current period. These warrants were initially issued on March 21, 2005, as part of the purchase price for Iteration Energy Inc., which resulted in the management of the Company being taken over by the current management team. The warrants had an exercise price of \$2.90 per warrant and vested the first day after the common shares of the Company had traded at a weighted average price of not less than \$4.50 per common share for any 45 consecutive calendar days within a 42-month period.;
- During the quarter 1,642,000 options were exercised for cash in lieu, representing the difference between the exercise price of the option and the Company's share price at the time of exercise, which resulted in a cash payment by the Company of \$9.7 million.
- Subsequent to quarter end, SemGroup, LLP filed for Chapter 11 bankruptcy protection in the United States. At the same time, SemCanada Crude Energy and SemCAMS ULC, two Canadian subsidiaries through which we market a portion of our production, filed for protection under the Company Creditor's Arrangement Act. As a result of this filing, suppliers of crude oil and natural gas did not receive payment for production sold for the period from June 1 to July 21, 2008. The Company has total potential exposure of \$16 million. In the June 30, 2008 financial statements, the Company has recorded a provision for bad debts of \$9.3 million representing the amount outstanding for June 2008 production. At this time, the Company is uncertain of the timing or potential recovery of this amount.

Net earnings for the quarter, net of these amounts would have been \$27.3 million.

Production

Average daily production for the three months ended June 30, 2008 was 18,146 boed, an increase of 11,835 boed as compared to the three months ended June 30, 2007. This 188% increase is mostly due to the Cyrias acquisition that closed March 7, 2008. Second quarter production was marginally higher than the Company's guidance of 18,000 boed and reflected the negative impact of a several scheduled third party gas plant turnarounds, which curtailed 100% of our production in British Columbia for three weeks and production from several other fields for varying lengths of time.

Daily production <i>Average for the period</i>	Three months ended June 30			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Natural gas (mcf/d)	76,563	35,719	114	62,180	34,260	81
Natural gas liquids (bbls/d)	1,377	171	705	1,237	173	615
Light oil (bbls/d)	3,840	129	2,877	2,725	138	1,875
Heavy oil (bbls/d)	168	58	190	192	60	220
Total (boed)	18,146	6,311	188	14,517	6,081	139

The Company continues to project an average production rate for 2008 of approximately 17,500 boed and a 2008 exit rate of production of between 22,000 and 24,000 boed.

Commodity Prices

Industry benchmarks <i>Average for the period</i>	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Natural gas (Alberta spot-daily) Cdn \$/GJ at AECO	\$9.48	\$6.70	41	\$8.39	\$6.69	25
Natural gas (BC Westcoast Station 2) Cdn \$/GJ	\$9.38	\$6.54	43	\$8.31	\$6.65	25
Iteration NGL basket Cdn \$/bbl ⁽¹⁾	\$54.50	\$62.65	(13)	\$56.25	\$59.89	(6)
Edmonton Light crude Cdn \$/bbl	\$126.38	\$72.66	74	\$112.30	\$70.20	60
Hardisty Lloyd blend Cdn \$/bbl	\$102.78	\$49.40	108	\$89.58	\$45.95	95

(1) At June 30, 2008, the composition of an Iteration NGL basket was approximately 14% pentane, 20% butane, 26% propane, and 40% ethane.

Realized commodity prices <i>Average for the period</i>	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Natural gas (\$/mcf)	\$10.50	\$7.58	39	\$9.62	\$7.48	29
Natural gas liquids (\$/bbl)	\$58.68	\$71.01	(17)	\$53.09	\$69.05	(23)
Light oil (\$/bbl)	\$129.54	\$66.19	96	\$119.31	\$63.61	88
Heavy oil (\$/bbl)	\$89.54	\$56.27	59	\$77.47	\$48.32	60
Total (\$/boed)	\$77.02	\$46.68	65	\$69.16	\$45.92	51

For purposes of comparing realized prices to benchmark prices, the Company's British Columbia natural gas production is sold at Station 2 pricing (BC Westcoast Station 2) and the Company's Alberta natural gas production is sold at AECO spot - daily. Therefore for comparative purposes, the realized price for the

commodity should be compared to the benchmark prices for BC Westcoast Station 2 and Alberta spot – daily at AECO.

For natural gas, the realized price for the second quarter of 2008 changed by 39% as compared to 2007, slightly less than the average benchmark price change of 42% during the same period. The difference is mainly due to the incremental revenue received in 2007 from fixed price natural gas contracts that positively impacted the second quarter 2007 realized price relative to the benchmark price.

For light oil, the realized price for the second quarter of 2008 increased by 96% as compared to 2007, which is higher than the 74% change in the benchmark for the same period. The realized price was positively impacted by the higher API oil acquired through Cyries production. However, the Company has a small fixed price contract in place with respect to 200 boed of oil. The Company realized a loss of US \$615,000 during the quarter with respect to this contract.

The heavy oil realized price increased by 59% in the second quarter of 2008 as compared to 2007, which was lower than the relative change in the benchmark Hardisty Lloyd blend price of 108% for the same period. The difference is a reflection of the heavier API associated with the Company's heavy oil production.

The natural gas liquids realized price for the Iteration NGL basket decreased by 17% in the second quarter of 2008 as compared to 2007, which is greater than the 13% decrease in the Iteration NGL basket benchmark price for the same period. This was primarily due to the enhanced extraction of natural gas liquids from all of the Company's British Columbia natural gas production which began in the fourth quarter of 2007 which resulted in a change in the composition of the Iteration NGL production basket, with a greater proportion being of lower valued ethane production which, correspondingly, lowered the average realized NGL price for an Iteration basket.

For guidance purposes, based on the realized prices to date and the August 7, 2008 commodity strip for the balance of the year, the Company expects an average 2008 natural gas price of \$8.35 Cdn/GJ and a WTI price of \$112.00 Cdn/bbl for oil.

Revenue

Production revenue was \$127.2 million for the three months ended June 30, 2008, compared with \$26.8 million for the three months ended June 30, 2007. The production revenue increase was primarily due to the acquisition of Cyries on March 7, 2008 combined with the impact of other production gains and higher overall commodity prices realized by the Company during the quarter.

Production revenue before royalties (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Production revenue	127,175	26,806	374	182,739	50,550	262

For the three months ended June 30, 2008 natural gas production accounted for 70% of the Company's total production. This compares to 94% for the corresponding period in 2007.

During the second quarter of 2008, the Company had the following fixed price contract in place:

Period	Volume	Type	Pricing	Price
Dec 1, 2007 – Nov 30, 2008	200 bbls/d	Collar	WTI – Nymex	\$75.00 USD floor, \$90.20 USD ceiling

For the quarter ended June 30, 2008, the Company realized a net loss on this contract of approximately USD \$615,000 and as at June 30, 2008, the value of the remaining contract was a loss of approximately USD \$1,549,000.

Royalties

Royalty expense was \$27.2 million for the three months ended June 30, 2008, compared with \$4.6 million for the corresponding period in 2007 and represents amounts paid by the Company for Crown, Freehold and Gross Overriding royalties. The increase in royalty expense was primarily due to the 188% increase in production, combined with the 65% increase in realized blended commodity price for the quarter, as compared to the same quarter in 2007.

The royalty rate per boe in the second quarter of 2008 has increased as a result of the increase in commodity prices over the comparative period in 2007. Of the \$27.2 million of royalty expense for the quarter, \$23.9 million was for crown royalties, representing a crown royalty burden of approximately 19%. The burden on the Company for freehold and gross overriding royalties for the quarter was approximately 2.4%, for a combined royalty burden of approximately 21.4%. For the corresponding period in 2007, the crown royalty burden was approximately 16% and the freehold and gross overriding royalty burden was 1.2% for a combined royalty burden of 17.2%. However, the crown royalty burden for the quarter in 2007 was unusually low due to the inclusion of a one time crown royalty reduction related to additional gas cost allowance for facilities acquired by the Company in 2006.

Royalties (\$ thousands except where noted)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Royalties	27,199	4,601	491	38,878	9,419	313
Per boe (\$/boe)	\$16.47	\$8.01	106	\$14.71	\$8.56	72
Percentage of revenue (%)	21.4	17.2	24	21.3	18.6	15

For 2008, the Company expects the royalty burden to be approximately 21% of revenue. On October 25, 2007 the Alberta provincial government announced changes to the Alberta royalty regime which take effect January 1, 2009. Based on our analysis of the proposed royalty rate changes that have been announced to date, our preliminary assessment of the impact of the changes on the current Alberta based production of the Company indicates, on the assumption that 30% of the Company's production is oil and natural gas liquids and 80% of the Company's production is Alberta based, at the average 2008 commodity price used for Company guidance purposes of Cdn \$8.35/GJ for gas and a WTI price of \$112.00/bbl for oil, the Company's 2009 total crown royalty burden would increase approximately 10 percentage points above the current crown royalty rate. This would result in the total royalty burden for the Company increasing from 21% to approximately 31%.

Production Expenses

Production expenses were \$20.3 million for the three months ended June 30, 2008, compared with \$4.9 million for the corresponding period in 2007. The increase in expenses was due to the following:

- 1) A 188% increase in production for the quarter as compared to the previous year primarily due to the Cyries acquisition.
- 2) Continued efforts to enhance production from existing wells through workovers and facility maintenance. While the incurrence of these costs has resulted in significant increases in production, they are expensed for financial reporting purposes
- 3) The shift in the weighting of the Company's production towards oil, which typically has higher operating costs on a per boe basis.

Production expenses (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Field operating costs	19,821	4,728	319	29,763	8,776	239
Allocated general and administrative costs	470	182	158	725	322	125
Total production expense	20,291	4,910	313	30,488	9,098	235

Production expenses per boe (\$ per boe)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Field operating costs	\$12.00	\$8.23	46	\$11.26	\$7.97	41
Allocated general and administrative costs	\$0.29	\$0.32	(9)	\$0.28	\$0.29	(3)
Total production expense	\$12.29	\$8.55	44	\$11.54	\$8.26	40

The Company had previously published guidance with respect to expected production expenses for the second quarter of 2008 of \$11.80 per boe. Actual costs for the second quarter were higher than expected as a portion of the workover program and well enhancement program on the assets acquired in September 2007 carried over to the second quarter of 2008 and contributed to the increase in production expense per boe. While the Company continues to experience upward pressure on costs, it expects operating costs for the remainder of 2008 to be below \$11.00 per boe.

Transportation Expenses

Transportation expenses for the quarter were \$2.0 million as compared to \$0.8 million for the three months ended June 30, 2007. Gross transportation costs for the second quarter of 2008 increased mainly due to the 114% increase in natural gas production as compared to the same period in 2007. However, as transportation costs primarily relate to natural gas and natural gas liquids, transportation costs on a per boe basis decreased by 19% in the second quarter of 2008 as a result of the decrease in the gas percentage of the Company's production. Oil and natural gas liquids now account for 30% of the Company's production, as opposed to 6% for the three month period ended June 30, 2007.

For 2008, the Company expects transportation costs to remain at similar levels.

Transportation expenses (\$ thousands except where noted)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Transportation expenses	1,982	846	134	3,451	1,577	119
Per boe (\$ / boe)	\$1.20	\$1.47	(19)	\$1.31	\$1.43	(9)

Operating Netback

The operating netback (before general and administrative expenses) realized for the three months ended June 30, 2008 was \$47.06/boe versus \$28.65/boe for the corresponding period in 2007 due to the increased average realized commodity price for the quarter.

Operating netback (\$/boe)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Production revenue	\$77.02	\$46.68	65	\$69.16	\$45.92	51
Royalties	(16.47)	(8.01)	106	(14.71)	(8.56)	72
Production expenses	(12.29)	(8.55)	44	(11.54)	(8.26)	40

Transportation expenses	(1.20)	(1.47)	(18)	(1.31)	(1.43)	(8)
Operating netback	\$47.06	\$28.65	64	\$41.60	\$27.67	50

The Company had given guidance for a netback of approximately \$40.00/boe for the second quarter. Higher netbacks were realized as a result of substantially higher than expected commodity prices and due to the continued positive heating value differential on gas production. For guidance purposes, based on average 2008 commodity prices of \$8.35 Cdn./GJ AECO for natural gas and WTI price of \$112.00 Cdn./bbl for oil, the Company expects an average operating netback (before general and administrative expenses) for 2008 of approximately \$41.00/boe.

General and Administrative Expenses

Total general and administrative costs before taking into consideration overhead recoveries, general and administrative costs allocated to production expense and capitalized G&A, increased by 123% to \$4.8 million for the three months ended June 30, 2008, versus \$2.1 million for the corresponding period in 2007. The increase was the result of increased staffing levels and office accommodation costs during the quarter associated with the Cyries acquisition.

On a per boe basis, general administrative expenses for the second quarter of 2008 decreased by 18% as compared to the same period in 2007. This is reflective of efficiency gains associated with the larger company after the acquisition of Cyries.

General and administrative expenses <i>(\$ thousands except where noted)</i>	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
General and administrative costs before the following:	4,755	2,131	123	8,115	3,925	107
Capitalized overhead	(1,020)	(572)	78	(1,790)	(1,087)	65
Allocation to production expenses	(470)	(182)	158	(725)	(322)	125
Overhead recoveries	(70)	(17)	312	(128)	(65)	97
General and administrative expense	3,195	1,360	135	5,472	2,451	123
Per boe, (\$/boe)	\$1.93	\$2.37	(18)	\$2.07	\$2.23	(7)

General and administrative expenses for the quarter were consistent with management's expectations, including the incremental office overhead costs associated with the Cyries acquisition. Furthermore, the Company successfully sublet all of the Cyries office space on a full recovery flow through basis commencing in June of 2008. With the cost reduction realized from the sublet, management expects general and administrative expenses to continue to be less than \$2.00 per boe for the balance of the year.

Stock Based Compensation Expense

The Company's stock option plan provides stock option holders the choice, upon exercise, to receive a cash payment in exchange for surrendering the option. The cash payment is equal to the appreciated value of the stock option, as determined by the difference between the option's exercise price and the Company's closing share price the day prior to electing to exercise the option. On June 20, 2008, with the approval of shareholders, the stock option plan was amended to limit the total number of common shares that may be issued under the stock option plan to a maximum of 16,000,000. This represents less than 10% of the then issued and outstanding common shares of the Company. There are currently 8.6 million stock options outstanding representing 5.1% of the currently outstanding common shares of the Company.

For the three months ended June 30, 2008, stock based compensation expense of \$13.8 million was recorded representing the sum of:

- a) \$4.0 million recognized on the increase in value of the outstanding stock options at June 30, 2008, as determined using the June 30, 2008 closing share price, as compared to the closing share price at March 31, 2008.
- b) \$0.1 million recognized on the increase in value of the 117,000 outstanding warrants at June 30, 2008, as determined using the June 30, 2008 closing share price as compared to the closing share price on May 22, 2008, (the date the terms of the warrants were modified to allow for the warrants to be exercised for a cash payment in exchange for the surrendering of the warrant).
- c) \$9.7 million recognized as the cash cost to the Company on the exercise of 1,642,000 options during the quarter.

Future fluctuations in stock based compensation expense or recoveries are dependent on the movement of the Company's share price and the number of vested options and warrants outstanding, adjusted for any options or warrants exercised for cash during the period. Based on the June 30, 2008 share price of \$8.26, had all 8,498,045 stock options outstanding been vested, stock based compensation expense and a corresponding liability of \$30.1 million would have been realized. In addition, a liability of \$625,000 would be realized if the remaining outstanding warrants were exercised for a total stock based compensation liability of \$30.7 million. Of this amount, \$19.3 million has been recognized as a current liability in the June 30, 2008 financial statements.

Interest Expense

Interest expense on current debt (the Company had no long term debt) for the three months ended June 30, 2008 was \$3.1 million as compared to \$0.4 million for the three months ended June 30, 2007. Interest expense for the three months ended June 30, 2008 included interest on a prime loan utilized until the syndicated facility was put in place, one-time commitment fees associated with the syndicated facility, and the interest expense associated with bankers acceptances utilized during the quarter. The effective blended interest rate for the second quarter of 2008 on the outstanding debt was approximately 6%.

Management expects that the effective interest rate for the remainder of 2008 will be approximately 4.5% plus associated stamping fees.

Interest expense (\$ thousands except where noted)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Interest expense	3,067	390	686	4,179	861	385
Per boe (\$/boe)	\$1.86	\$0.68	174	\$1.58	\$0.78	102

Depletion, Depreciation, and Accretion

Depletion, depreciation, and accretion expense was \$39.0 million for the three months ended June 30, 2008 compared to \$15.0 million for the corresponding period in 2007. This represents a 160% increase and is primarily due to the 188% increase in production for the second quarter of 2008.

Depletion and depreciation (\$ thousands except where noted)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Depletion, depreciation and accretion	39,045	14,997	160	60,600	27,992	116

Per boe (\$/boe)	\$23.65	\$26.11	(9)	\$22.94	\$25.43	(10)
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Capital Expenditures

Exploration and development capital spending for the three months ended June 30, 2008 was \$28.5 million, versus \$12.9 million for the three months ended June 30, 2007. Traditionally, capital spending for exploration and development is low in the second quarter, due to the lack of drilling during spring breakup. However, land sales during the quarter were approximately \$18.6 million representing the cost to secure some highly prospective lands in British Columbia and Alberta.

Capital expenditures (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Acquisition of oil and gas properties, net of disposition proceeds	2,929	2,019	45	4,546	2,251	102
Exploration and development expenditures	28,479	12,948	120	68,635	52,951	30
Total	31,408	14,967	110	73,181	55,202	33

Total capital expenditures for the year, including acquisitions negotiated to date, are expected to increase from our previous guidance of \$222 million to approximately \$244 million. This increase is primarily due to a number of relatively small oil and gas property acquisitions that the Company has either completed or has negotiated purchase and sale agreements on. They total approximately \$38 million and had total daily production at the time of their various effective dates of about 1,200 boed. At the same time, some operational spending has been pushed back into next year as surface access and licensing delays will mean that a number of 2008 wells are not expected to be tied in and on production until 2009.

Capital and Liquidity

As an oil and gas company, the Company has a declining asset base and therefore relies on ongoing development and acquisitions to replace production and add additional reserves. Future oil and natural gas production and reserves are highly dependent on success in exploiting the Company's asset base and in acquiring additional reserves. To the extent the Company is successful or unsuccessful in these activities, funds flow could be increased or reduced.

As at June 30, 2008, the Company had drawn \$243 million, by way of bankers acceptances, on its \$275 million facility. However, the Company had a working capital surplus, not including the liability recorded for stock based compensation, of \$21 million, for a total net debt of \$222 million. The ratio of total net debt at June 30, 2008 to annualized funds flow for the quarter ended June 30, 2008 was 1.1 : 1. However, the ratio at June 30, 2008 was negatively impacted by two significant unusual items during the quarter:

- a) The exercising of 1,642,000 stock options for cash consideration of \$9.7 million; and
- c) The provision for bad debts of \$9.3 million relating to filing of Chapter 11 protection of SemGroup LP, and the filing of Company Creditor's Arrangement Act protection by two of its Canadian subsidiaries,

If these unusual items were excluded from funds flow for the quarter, the adjusted ratio of net debt to annualized normalized second quarter 2008 funds flow would be approximately 0.8 : 1. As the Company does not expect the unusual items which occurred during the second quarter to repeat, the ratio of net debt to annualized cash flow ratio is expected to improve throughout the balance of 2008.

The Company continues to anticipate no unusual working capital requirements in 2008. There are currently no capital commitments, other than those associated with the Company's 2008 drilling and exploration program, and no known unusual trends or liquidity issues as at August 13, 2008. The Company expects to be able to meet future obligations associated from ongoing operations with funds flow from operations and draws on the Company's syndicated facility.

For guidance purposes the Company has used projected average prices for 2008 of \$8.35 /GJ AECO for gas and a WTI price of \$112.00/bbl. for Edmonton Light oil. The Company's projected funds flow for 2008 is approximately in \$196 million, including the impact of the following unusual items:

- a) The exercising for cash of the 1,642,000 options for \$9.7 million; and
- b) The anticipated \$16 million provision (\$9.3 million for June, 2008 production, \$6.7 million for July 1 to July 21, 2008 production) for the SemCAMS and SemCanada CCAA filing.

Without the inclusion of the above noted items, projected funds flow for 2008 would have been approximately \$222 million.

The impact on the Company's projected 2008 funds flow of a \$1.00/GJ swing in average AECO price for the remainder of 2008 is approximately \$12 million. The impact of a \$5.00/bbl swing in WTI for oil for the remainder of 2008 is approximately \$2 million.

Operating Leases

The Company has entered into various operating leases with respect to its premises. The leases expire between June 30, 2009, and September 30, 2012, and require the following future minimum lease payments, by calendar year (\$ thousands);

	Gross Liability (\$000)	Sublet Recovery (\$000)	Net Liability (\$000)
2008	\$1,420	(\$709)	\$711
2009	\$2,129	(\$1,418)	\$711
2010	\$1,418	(\$1,418)	-
2011	\$1,418	(\$1,418)	-
2012	\$1,063	(\$1,063)	-

The existing lease on the Company's office space expires June 30, 2009. The Company is in the process of renegotiating a new lease for office space. However, the lease payments and term of the lease for the period subsequent to June 30, 2009 are not included in the above totals as these are not known at this time.

Included in the above totals are the lease costs associated with office space previously occupied by Cyries, which was sublet on a full recovery flow through basis. As a result of the sublet, starting in June 2008 the Company will recover lease payments of approximately \$1,418,000 per annum until September 30, 2012.

Related Party Transactions

The following related party transactions occurred during the three months ended June 30, 2008:

- a) 3,605,000 warrants, which would have expired September 21, 2008, were exercised by certain officers and directors of the Company for the amount that the Company's share price exceeded the exercise price of the warrant, at the date of exercise. This resulted in a cash payment of approximately \$20.9 million.
- b) 1,603,000 options were exercised by certain officers and directors of the Company for the amount that the Company's share price exceeded the exercise price of the options, at the date of exercise. This resulted in a cash payment of approximately \$9.4 million.

Outstanding Common Shares, Warrants and Options

As at August 13, 2008, there were 166,020,387 common shares, 116,667 warrants, and 8,576,045 options outstanding.

Critical Accounting Estimates

In the application of accounting policies, management is often required to make judgments based on underlying estimates and assumptions about future events and their effects. Underlying estimates and assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances. These estimates and assumptions are subject to change as new events occur and additional information is obtained. The Company believes the following are the most critical accounting estimates used in determining its financial results.

Full Cost Accounting

The Company follows the full cost method of accounting whereby all costs relating to the acquisition of, exploration for and development of oil and gas reserves are capitalized, whether successful or not. The aggregate of these costs, net of costs of unproved properties and estimated salvage values, and estimated future development costs are depleted and depreciated by the unit of production method based on estimated gross proven reserves as determined by independent engineers. Changes in estimated gross proven reserves, salvage values or future development costs have a direct impact on depletion and depreciation.

Ceiling Test

The Company calculates the ceiling test on reserves based upon estimates of future prices for commodities, production rates, royalty rates, operating costs and inflation rates. Future prices for commodities are based on forward curve amounts. Future production rates, decline rates, royalty rates and operating costs are based on historical amounts. Inflation for commodity prices and operating costs is 2% per annum.

In the calculation of the ceiling test, the carrying value of property and equipment is compared to the sum of undiscounted cash flows expected to result from the future production of proved reserves, salvage value of equipment and the value of seismic over undeveloped land. Cash flows are based on third party quoted forward prices, adjusted for transportation and quality. Should the ceiling test result in an excess of carrying value, the Company would then measure the amount of impairment by comparing the carrying amounts of property, plant and equipment to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves, salvage value of equipment and value of seismic over undeveloped land. A risk-free interest rate of 6.5% was used to arrive at the net present value of the future cash flows. Any excess is recorded in the statement of earnings.

The carrying value of undeveloped properties (land and seismic data) is reviewed periodically and written down to net realizable value if impairment is determined.

Reserve Estimates

On an annual basis, the Company engages independent petroleum consultants to evaluate 100% of its oil and gas reserves. The estimation of reserves is a subjective process. The accuracy of reserve estimates is a product of the quality and quantity of data available, interpretation and judgment. Reserve estimates are based on engineering and geological data, projected future rates of production, commodity price forecasts and estimated timing of future expenditures, all of which are subject to interpretation and uncertainties.

Reserve estimates are used in the calculation of depletion and depreciation. A change in estimated reserves would result in a higher or lower depletion and depreciation charge to net earnings. Downward revisions to reserve estimates could also result in an impairment write-down of property, plant and equipment under the ceiling test.

Asset Retirement Obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived

asset. The fair value is determined through a review of engineering studies, industry guidelines, and management's estimates on a site by site basis. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of earnings under asset retirement obligations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Estimates of the asset retirement costs are subject to uncertainty associated with the method, timing and extent of future retirement activities.

The Company calculates the asset retirement obligation based on estimates of the date of abandonment, abandonment costs, and inflation. During the year, the estimates used for abandonment and reclamation costs were increased to reflect the increased percentage of the Company's wells that are oil, and the deeper gas wells that were acquired through the acquisition of the Peace River Arch partnership. These amounts are then discounted to a present value amount. The rate used to estimate the risk free borrowing rate was increased from 6% to 6.5% in 2007 to reflect the upward pressure experienced on interest rates. The impact of the change in estimated abandonment costs and the estimated risk free borrowing rate effectively offset each other. The estimates used are as follows:

Abandonment and reclamation costs:

Well bore and surface reclamation	
Less than 1,750 meters	\$18,972 per well
More than 1,750 meters	\$26,622 per well
Surface reclamation	
Natural gas wells	\$19,482 per well
Oil wells	\$26,622 per well
Pipelines	\$10,200 per pipeline segment
Roads	\$15,300 per km
Batteries	\$15,300 per battery
Compressors	\$204,000 per compressor
Inflation	2 % per annum
Discount rate	6.5% per annum

Income Taxes

The Company records future tax assets and liabilities to account for the expected future tax consequences of events that have been recorded in its consolidated financial statements and its tax returns. These amounts are estimates; the actual tax consequences may differ from the estimates due to changing tax rates and regimes, as well as changing estimates of cash flows and capital expenditures in current and future periods. The Company periodically assesses the realizability of its future tax assets. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

Impact of New Accounting Pronouncements

On January 1, 2008, the Company adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Section 1400 *General Standards of Financial Statement Presentation*, Section 1535 *Capital Disclosures*, Section 3031 *Inventories*, Section 3862 *Financial Instruments – Disclosures*, and Section 3863 *Financial Instruments – Presentation*. The adoption of these standards has had no material impact on the Company's equity, net income or cash flows. The other effects of the implementation of the new standards are discussed below.

General Standards of Financial Statement Presentation

CICA 1400 *General Standards of Financial Statement Presentation* was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this standard did not have an impact on the Company's financial statements.

Capital Disclosures

Section 1535 *Capital Disclosures*, establishes standards for disclosing information regarding an entities capital and how it is managed. The section specifies the disclosure of i) an entities objectives, policies, and processes for managing capital; ii) quantitative data about what the entity regards as capital; iii) whether the entity has complied with any capital requirements; and iv) if it has not complied, the consequences of such non-compliance.

Inventories

Section 3031 *Inventories*, requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory-costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost or net realizable value no longer exist, the amount of the write-down is to be reversed. This section is the Canadian Equivalent to International Reporting Standards IAS-2, *Inventories*. The adoption of this standard had no material impact on the Company's consolidated financial statements.

Financial Instruments – Disclosures and Presentation

As of January 1, 2008, the Company adopted two new CICA standards. Handbook Section 3862, *Financial Instruments – Disclosures* and Handbook Section 3863, *Financial Instruments – Presentation*. These Handbook Sections replaced existing Handbook Section 3861, *Financial Instruments – Presentation and Disclosure*. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

In addition, the Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company will be adopting the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which converges Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The Company is still assessing the financial reporting impact of this standard.

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board has now confirmed that the use of IFRS will be required in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS effective January 1, 2011 and will be required to provide information following IFRS for the comparative period. The Company is currently evaluating the impact of adopting IFRS.

Disclosure Controls and Procedures

The Company has implemented disclosure controls and procedures to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer, together with management, have concluded, based on their evaluation as of the year-end, the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer is made known to them by others.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will necessarily prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

Under the supervision of, and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, internal control over financial reporting has been designed and maintained in order to provide reasonable assurance regarding the reliability of financial reporting, as of the end of the period covered by the filings. During the quarter ended June 30, 2008, there have been no material changes in internal control over financial reporting. In common with many companies, with limited accounting support staff, segregation of duties is difficult; however management is satisfied that compensating controls are in place including key management authorizations and reviews.

Outlook for 2008

The acquisition of Cyries Energy Inc. closed on March 7, 2008, and transformed the Company into an intermediate producer. The first quarter production exit rate was approximately 21,000 boed. Average production for the second quarter of 2008 was approximately 18,000 boed, as a result of traditional plant turnarounds and normal production declines which cannot be mitigated due to surface access restrictions associated with break-up. Production rates are expected to increase as the major plant turn arounds are now complete, surface access restrictions have been lifted and the Company is continuing its planned drilling program.

The Company has a large inventory of drilling prospects on its current land base which is expected to drive future growth. For the balance of 2008, the largest focus areas for the Company will be in the Deep Basin and Peace River Arch areas of Western Alberta and North East British Columbia. These two areas currently account for approximately two thirds of the Company's production and are prospective for liquids rich gas and light oil. Production from these areas will be complemented by exploration and exploitation opportunities for dry gas and heavy oil in Eastern Alberta, as well as additional light oil prospects in North West and South East Alberta. The range of prospects provides a mixture of summer and winter access opportunities and allows the Company flexibility to focus its activity in those areas which will provide maximum return under prevailing commodity prices and conditions.

Iteration routinely evaluates asset acquisition opportunities in its focus areas and has already negotiated or closed a number of relatively small purchases in 2008 totaling approximately 1,200 boed. The majority of the acquired production is expected to close late in the third quarter and will therefore not have a significant impact on 2008 average production. It will, however, offset some drilling delays we have experienced and provide opportunity for further production growth in 2009.

The following guidance reflects the currently planned program and includes capital for acquisitions we have already negotiated this year.

Expected 2008 Program	Iteration ⁽¹⁾ Current Guidance	Iteration ⁽¹⁾ Previous Guidance
Average 2008 production (boed)	17,500	17,500
Year end 2008 exit production (boed)	22,000 to 24,000	22,000 to 24,000
Capital program (\$ million) ⁽²⁾	244	212
Funds from operations (\$ million) ⁽³⁾⁽⁴⁾	196	223
Year end net debt (\$ million) ⁽⁵⁾⁽⁶⁾	265	197
Ratio of Debt to annualized 2008 Q4 funds flow	1.0 : 1	0.6 : 1
Net wells	115	115

(1) Includes results of operations of Iteration Energy Inc. for the period from January 1 to December 31, 2008 and Cyries Energy Inc. for the period from March 8 to December 31, 2008.

- (2) Current guidance includes \$38 million for Western Canada oil and gas property acquisitions that the Company has either closed in 2008 or has contracted and expects to close later in the third quarter.
- (3) Current guidance includes the following:
 - a) Cost of exercising 1,642,000 options for \$9.7 million
 - b) Provision of \$16 million representing the Company's exposure to the CCAA filing of SemCAMS and SemCanada.

Had the above noted items not been included, funds from operations would have been \$222 million.
- (4) Previous guidance includes the cost of exercising 3.7 million warrants for approximately \$20 million. Had this item not been included, funds from operations would have been \$243 million. The decrease in funds from operations is due to the reduction in commodity prices.
- (5) Current guidance includes the amounts described in (3) (a) and (b) above plus the cash consideration paid on exercising 3,605,000 warrants of \$20.9 million.
- (6) Previous guidance includes the amounts described in 4 above.

The 2008 projected capital program has increased by approximately \$32 million due to the acquisition of certain Alberta oil and natural gas properties which have already closed or have been contracted and are expected to close in the third quarter. However, the drilling of several of our planned wells has been delayed due to surface issues so the expected average production for the year remains at 17,500 boed. Projected funds from operations have decreased with a corresponding increase in year end debt, due to commodity price reductions and the unusual items described above.

The 2008 program is expected to include a number of multi frac horizontal wells which will allow for the evaluation of production and reserve uplift potential that may be realized in several Cretaceous and Triassic reservoirs which are present on the Company's lands. Much of the production growth from these wells is now expected to occur at the end of 2008 and early in 2009.

As has been recently evident, both commodity prices and costs of services can change rapidly so we are prepared to adjusted capital spending appropriately so as not to compromise the Company's balance sheet and thereby restrict the Company's ability to pursue additional accretive acquisitions should they arise to further enhance production growth.

Directors, Officers and Auditors

Current Officers and Directors of the Company are as follows;

Officers

Brian Illing	President and CEO
Mark Ariss	VP Exploration East
Sean Johnson	CFO
Jane Mactaggart	VP Exploitation
Carmen McKay-Illing	VP Corporate Affairs
Myron Rak	VP Production
Tony Sabelli	VP Drilling & Completions
Kevin Stromquist	VP Exploration West

Directors

Don Archibald (Chairman)	Independent Businessman (former Chairman & CEO – Cyries)
Pat Breen P. Eng.	President- Foremost Income Fund
Howard Crone P. Eng.	Independent Businessman (former director – Cyries)
Dallas Droppo Q.C.	Partner- Blake, Cassels and Graydon LLP
Jim Grenon	President- TOM Capital Associates
Michael Hibberd	President- MJH Services Inc.
Brian Illing P. Geol	President and CEO- Iteration Energy Ltd.
Garry Peddle	Independent Businessman (former VP Corporate – Cyries)
Robert Waters CA	Senior VP and CFO- Enerplus Resources Fund

Corporate Secretary

Tony Grenon	Managing Director- TOM Capital Associates
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Auditors

Ernst & Young LLP

Corporate Counsel

Bennett Jones LLP

Advisory – Forward-Looking Information

This MD&A was prepared on August 13, 2008 and is management's assessment of Iteration's historical financial and operating results. The reader should be aware that historical results are not necessarily indicative of future performance. This MD&A contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. Forward-looking statements and information are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas commodity prices, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, and the ability to add production and reserves through development and exploration activities. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Undue reliance should not be placed on these forward-looking statements which are based upon management's assumptions and are subject to known and unknown risks and uncertainties, including the business risks discussed below, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The Company undertakes no obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise.

The forward looking statements contained herein are expressly qualified by this cautionary statement. Readers are cautioned that the following list of risk factors is not exhaustive.

In particular, this discussion contains forward-looking statements and information pertaining to the following:

- The quantity and recoverability of our reserves;
- The timing and amount of future production;
- Prices for natural gas produced;
- Operating and other costs;
- Business strategies and plans of management;
- Supply and demand of natural gas;
- Expectations regarding our ability to raise capital and to add to our reserves through acquisitions as well as exploration and development;
- The focus of capital expenditures on development activity rather than exploration;
- The sale, farming in, farming out or development of certain exploration properties using third party resources;
- The use of development activity and acquisitions to replace and add to reserves;
- The impact of changes in natural gas prices on cash flow after hedging;
- Drilling plans;
- The existence, operation and strategy of the commodity price risk management program;
- The approximate and maximum amount of forward sales and hedging to be employed;

- The Company's acquisition strategy, and the criteria to be considered and the benefits to be derived;
- The impact of Canadian federal and provincial governmental regulation on the Company relative to other issuers of similar size;
- Our treatment under governmental regulatory regimes;
- The goal to sustain or grow production and reserves through prudent management and acquisition;
- The emergence of accretive growth opportunities; and
- The Company's ability to benefit from the combination of growth opportunities and the means to grow through the capital markets.

Iteration's actual results could differ materially from those anticipated in our forward-looking statements as a result of the risk factors set forth below and noted elsewhere in this MD&A which include but are not limited to:

- Volatility in market prices for natural gas;
- Risks inherent in our operations;
- Uncertainties associated with estimating reserves;
- Competition for, among other things: capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- Incorrect assessments of the value of acquisitions;
- Geological, technical, drilling and process problems;
- General economic conditions including fluctuations in the price of natural gas;
- Royalties payable in respect of Iteration's production;
- Governmental regulation of the oil and gas industry, including environmental regulation;
- Fluctuation in foreign exchange or interest rates;
- Unanticipated operational events that can reduce production or cause production to be shut-in or delayed;
- Stock market volatility and market valuations;
- Counterparty credit risk
- The need to obtain required approvals from regulatory authorities;
- Environmental risks;
- Insurance limitations risks;
- Risks inherent in replacing reserves;
- Reliance on operators and key employees;
- Access to funding and issuance of debt;
- Aboriginal claims; and
- Availability of drilling equipment, access restrictions and cost inflation.

Additional Information on the Company

Other information about the Company, including the Unaudited Interim Consolidated Financial Statements for the three and six months ended June 30, 2008, and the Audited Consolidated Financial Statements, Management's Discussion and Analysis and the Annual Information Form for the year ended December 31, 2007, is available through the internet on the Company's website at www.iterationenergy.com and on the Company's SEDAR profile at www.sedar.com. For further information, please contact Mr. Brian Illing, President and CEO, or Mr. Sean Johnson, CFO, at 403-261-6883.