MANAGEMENT'S DISCUSSION AND ANALYSIS

November 12, 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 nine month periods ended September 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 nine months ended September 30, 2008 and the audited consolidated financial statements as at and for the year ended December 31, 2007, together with accompanying notes.

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.

ADVISORY – FORWARD-LOOKING INFORMATION

This MD&A was prepared on November 12, 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 certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should"," expects", "projects", "plans", "anticipates" and similar expressions. In particular, this discussion contains forward-looking statements pertaining to the following:

- the timing and amount of production;
- natural gas, natural gas liquids and crude oil production levels;
- commodity prices for natural gas, natural gas liquids and crude oil;
- royalties payable and future royalty rates under the New Alberta Royalty Regime;
- production expenses;
- transportation expenses;
- operating netbacks;
- general and administrative expenses;
- interest expenses and interest rates;
- Canadian dollar exchange rates
- capital expenditures;
- capital and liquidity;
- funds flow from operations;
- debt levels;
- ratio of debt to funds flow from operations; and
- number of net wells.

Certain forward-looking statements may constitute "financial outlooks" as contemplated by National Instrument 52-102 – *Disclosure Obligations*, which are provided for the purpose of forecasting Iteration's financial position as at December 31, 2008 and June 30, 2009. Please note that the financial outlook in this MD&A may not be appropriate for purposes other than as stated above.

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, natural gas liquids and crude commodity prices, future natural gas, natural gas liquids and crude oil 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. 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 oil and natural gas;
- risks inherent in Iteration's 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 oil and 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.

Readers are cautioned that this list of risk factors is not exhaustive.

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.

NON-GAAP MEASURES

This MD&A refers to "funds from operations" and "funds from operations per share" which 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. Management of Iteration uses "funds from operations" and "funds from operations per share" to analyze operating performance and leverage.

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 September 30, 2008 include:

- Increased quarter over quarter average production by 2% to approximately 18,500 boed, in line with guidance, despite reducing exploration and development spending by $14 million. This represents a 194% increase over the corresponding quarter of 2007.
- Net earnings for the quarter of $26.7 million as opposed to net earnings of $0.7 million for the second quarter of 2008.
- Funds from operations of $59.3 million increased 12% over second quarter of 2008 and 462% when compared to the third quarter of 2007. Funds flow per basic share increased to $0.36 per share in the third quarter of 2008, an increase of 12% over the second quarter of 2008, and increased by 119% when compared to the comparative quarter in 2007.
- Drilled 22.0 net wells with a 90% success record in the third quarter of 2008.
- Net debt on September 30, 2008 was $232 million resulting in a debt to annualized quarter funds flow ratio of less than 1 : 1.
- Total capital program in the third quarter of 2008 was $69 million, which includes $37 million for property acquisitions.
- Subsequent to quarter end, the Company increased its credit facility with the syndicate of lenders to $300 million.

Financial Highlights (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Financial ($thousands, except as noted)				
Production revenue before royalties	**$108,444**	$22,161	**$291,183**	$72,711
Funds from operations [(2)]	**$59,338**	$10,561	**$140,676**	$37,403
Per Share ($) [(1)]				
- basic	**$0.36**	$0.16	**$0.99**	$0.61

- diluted	**$0.35**	$0.16	**$0.97**	$0.61
Net earnings (loss)	**$26,696**	$(1,985)	**$29,058**	$(6,293)
Per Share ($)				
- basic	**$0.16**	$(0.03)	**$0.21**	$(0.10)
- diluted	**$0.16**	$(0.03)	**$0.20**	$(0.10)
Royalties	**$23,115**	$5,387	**$61,993**	$14,806
Production expense	**$18,535**	$3,786	**$49,022**	$12,884
Transportation expense	**$1,290**	$747	**$4,741**	$2,324
General and administrative	**$2,752**	$1,269	**$8,224**	$3,720
Stock based compensation expense (recovery)	**$(16,496)**	$(1,486)	**$4,412**	$3,722
Depletion, depreciation, and accretion expense	**$40,639**	$15,117	**$101,239**	$43,109
Total assets	**$1,258,249**	$334,170	**$1,258,249**	$334,170
Bank Indebtedness				
Bank loans	**$234,000**	$74,850	**$234,000**	$74,850
Working capital deficiency (surplus) [2]	**(1,533)**	8,088	**(1,533)**	8,088
Net bank indebtedness	**$232,467**	$82,938	**$232,467**	$82,938
Net debt to annualized quarter funds flow	**0.98 : 1**	1.96 : 1	**0.98 : 1**	1.96 : 1
Capital expenditures:				
Property acquisitions, net of dispositions	**$36,930**	$52,695	**$41,476**	$54,946
Exploration and development	**$31,907**	$18,621	**$100,542**	$71,572
Shares outstanding (thousands)				
Common shares	**166,020**	64,844	**166,020**	64,844
Weighted average – basic	**166,020**	64,844	**141,607**	61,654
Weighted average – diluted [3]	**168,046**	64,844	**144,693**	61,654
Warrants	**-**	4,930	**-**	4,930
Stock options	**8,635**	5,818	**8,635**	5,818

(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), which is the difference between current assets and current liabilities, does not include stock based compensation payable.

(3) For periods with a net loss, per share amounts are based on basic common shares outstanding for the period.

Operating Highlights

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Operating				
Gas:				
Daily production (mcf/d)	**75,645**	35,275	**66,700**	34,633
Average price ($/mcf)	**$8.13**	$6.08	**$9.05**	$7.00
Light Oil:				
Daily production (bbls/d)	**3,956**	144	**3,138**	145
Average price ($/bbl)	**$109.59**	$72.24	**$115.29**	$66.52
Heavy Oil:				
Daily production (bbls/d)	**265**	105	**217**	75
Average price ($/bbl)	**$100.38**	$56.22	**$85.56**	$50.98
Natural Gas Liquids (NGLs):				
Daily production (bbls/d)	**1,678**	176	**1,385**	171
Average price ($/bbl)	**$74.48**	$54.74	**$61.79**	$64.23
Total Production (boed)	**18,507**	6,304	**15,857**	6,163
Land				
Net undeveloped land holdings (acres)	**878,000**	260,000	**878,000**	260,000
Drilling				
Wells drilled (net)				
Gas	**13.1**	12.4	**34.7**	32.4
Oil	**5.9**	4.0	**12.8**	5.0
Injector	**1.0**	-	**2.0**	-
Dry	**2.0**	-	**3.7**	1.0
Total	**22.0**	16.4	**53.2**	38.4
Success rate (%)	**90.0**	100.0	**92.8**	97.4

Quarterly Financial Data

($ thousands except per share data)

	2008			2007				2006
Quarter ended	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenues	$108,444	$127,175	$55,564	$29,265	$22,161	$26,806	$23,744	$17,940
Net Earnings (loss)	$26,696	$672	$1,690	$(3,149)	$(1,985)	$(639)	$(3,669)	$(3,225)
Net earnings (loss) per common share – basic and diluted ($)	$0.16	$0.00	$0.02	$(0.05)	$(0.03)	$(0.01)	$(0.06)	$(0.06)

OPERATING RESULTS

Net Earnings (Loss)

Iteration's net earnings for the three months ended September 30, 2008 were $26.7 million, as compared to a net loss of $2.0 million for the three months ended September 30, 2007. During the quarter, a stock based compensation recovery of $16.5 million arising from the decline in our share price was recognized during the quarter, as compared to a recovery of $1.5 million for the corresponding quarter in 2007. Net earnings, not including the recovery of stock based compensation would have been $10.2 million for the third quarter of 2008, as compared to a net loss of $3.5 million in the third quarter of 2007.

Production

Average daily production for the three months ended September 30, 2008 was 18,507 boed, an increase of 12,203 boed as compared to the three months ended September 30, 2007. This 194% increase is due to the inclusion of production from the Cyries Energy Inc. ("Cyries") acquisition that closed March 7, 2008, property acquisitions closed to September 30, 2008 and the results of our drilling program. Third quarter production was in line with the Company's previous guidance of 18,500 boed.

Daily production	**Three months ended September 30,**			**Nine months ended September 30,**		
Average for the period	**2008**	2007	% Change	**2008**	2007	% Change
Natural gas (mcf/d)	**75,645**	35,275	114	**66,700**	34,633	93
Natural gas liquids (bbls/d)	**1,678**	176	853	**1,385**	171	710
Light oil (bbls/d)	**3,956**	144	2,647	**3,138**	145	2,064
Heavy oil (bbls/d)	**265**	105	153	**217**	75	189
Total production (boed)	**18,507**	6,304	194	**15,857**	6,163	157

The global financial instability and falling commodity prices have created a favorable environment for asset acquisitions at attractive prices. Iteration has deferred approximately 35 wells and $24 million of capital spending on exploration and development activities previously forecast for the second half of 2008 in order to allow for an additional $18 million of property acquisitions which are expected to close late in 2008. As a result of this deferral, part of the significant production gains that were previously forecast to be coming on stream in the fourth quarter, are now expected in early 2009. Average production for 2008 is now forecasted at 16,550 boed as opposed to the previous guidance of 17,150 boed.

Commodity Prices

Industry benchmarks	**Three months ended September 30,**			**Nine months ended September 30,**		
Average for the period	**2008**	2007	% Change	**2008**	2007	% Change
Natural gas (Alberta spot-daily) Cdn $/GJ at AECO	**$7.28**	$4.88	49	**$8.02**	$6.09	32
Natural gas (BC Westcoast Station 2) Cdn $/GJ	**$7.01**	$4.94	42	**$7.88**	$6.08	30
Iteration NGL basket Cdn $/bbl(1)	**$72.48**	$65.82	10	**$61.66**	$61.87	-
Edmonton Light crude Cdn $/bbl	**$122.61**	$79.38	54	**$115.74**	$73.26	58
Hardisty Lloyd blend Cdn $/bbl	**$103.59**	$54.64	90	**$94.25**	$48.85	93

(1) At September 30, 3008, the composition of an Iteration NGL basket was approximately 28% pentane, 15% butane, 24% propane, and 33% ethane.

Realized commodity prices	**Three months ended September 30,**			**Nine months ended September 30,**		
Average for the period	**2008**	2007	% Change	**2008**	2007	% Change
Natural gas ($/mcf)	**$8.13**	$6.08	34	**$9.05**	$7.00	29
Natural gas liquids ($/bbl)	**$74.48**	$54.74	36	**$61.79**	$64.23	(4)
Light oil ($/bbl)	**$109.59**	$72.24	52	**$115.29**	$66.52	73
Heavy oil ($/bbl)	**$100.38**	$56.22	79	**$85.56**	$50.98	68
Total ($/boed)	**$64.32**	$38.21	68	**$67.28**	$43.22	56

For purposes of comparing realized prices to benchmark prices, the Company's British Columbia natural gas production is primarily 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 average of the benchmark prices for BC Westcoast Station 2 and Alberta spot – daily at AECO.

For natural gas, the realized price for the third quarter of 2008 decreased by 34% as compared to 2007, which is less than the average benchmark price change of 46% during the same period. The difference is mainly due to the incremental revenue received in 2007 from the fixed price natural gas contracts that positively impacted the third quarter 2007 realized prices, relative to the benchmark price.

For light oil, the realized price for the third quarter of 2008 increased by 52% as compared to 2007, which is slightly less than the 54% change in the benchmark for the same period. The differential is due to the loss realized by the Company on the fixed price contract that was in place for 200 boed of oil. The loss realized during the quarter with respect to this contract was US $514,000. However, realized pricing was positively impacted by the higher API associated with the bulk of the Company's oil production.

The heavy oil realized price increased by 79% in the third quarter of 2008 as compared to 2007, which was lower than the relative change in the benchmark for Hardisty Lloyd blend of 90% for the same period. The difference is a reflection of the lower API associated with the Company's heavy oil basket.

Iteration's realized price on its natural gas liquids basket increased by 36% in the third quarter of 2008 as compared to the corresponding quarter in 2007. This increase is far greater than the 10% increase in the benchmark price for a natural gas liquids basket for the same period. The reason for the increase is shifting of the composition of the Company's natural gas liquids basket towards higher valued pentane production.

Iteration realized $64.32 per boe during the third quarter and is projecting to realize $50.70 per boe for the fourth quarter, based on the November 5, 2008 commodity price strip of $6.85 Cdn./GJ for natural gas and $82.00 Cdn./bbl for light crude oil. The significant drop in forecasted fourth quarter commodity prices means that, based on these estimates, the expected realized commodity price for the combined third and fourth quarter will be approximately $57.50 per boe, as opposed to the September 8, 2008 guidance of $61.20 per boe. Preparing an estimate for fourth quarter realized prices has been extremely difficult over the past several months given the unprecedented volatility in not only commodity prices, but the Canadian dollar exchange rate. The Company will be continually monitoring both commodity prices and exchange rates during this period to allow it to effectively react as required to commodity and exchange rate swings, both positive and negative.

Based on the November 5, 2008 commodity price strip, the Company is projecting to realize $50.60 per boe for the first six months of 2009, based on an average commodity price during this period of $6.98 Cdn/GJ for natural gas and $80.00 Cdn/bbl for light crude oil.

Revenue

Production revenue was $108.4 million for the three months ended September 30, 2008, as compared to $22.2 million for the corresponding period in 2007. The increase was primarily due to increased production from the Cyries properties which were acquired 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	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands)	**2008**	2007	% Change	**2008**	2007	% Change
Production revenue	**108,444**	22,161	389	**291,183**	72,711	300

For the three months ended September 30, 2008, natural gas represented 68% of the Company's production and 52% of the Company's revenue. For the corresponding period in 2007, natural gas represented 93% of the Company's production and 89% of the Company's revenue.

During the third 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 US floor, $90.20 US ceiling

For the quarter ended September 30, 2008, the net loss realized by the Company on this contract was approximately US $514,000. At September 30, 2008, the value of the remaining contract was a loss of approximately US $154,000.

Royalties

Royalty expense was $23.1 million for the three months ended September 30, 2008, compared with $5.4 million for the corresponding period in 2007. Royalties represent amounts paid by the Company for crown, freehold and gross overriding royalties. The 329% increase in royalty expense was the result of a 194% increase in production, combined with a 68% increase in the realized blended commodity price for the quarter, as compared to the same quarter in 2007.

The royalty expense per boe in the third quarter of 2008 increased by 48%. This is as a result of the increase in commodity prices over the comparative period in 2007. The allocation of the $23.1 million of royalty expense for the quarter was $20.4 million for crown royalties, which represents a crown royalty burden of approximately 18.8%, and $2.7 million for freehold and gross overriding royalties, which represents a rate of approximately 2.5%, giving a combined royalty burden of approximately 21.3%. For the corresponding period in 2007, the crown royalty burden was approximately 20.0%, the freehold and gross overriding royalty burden was 4.3% and the combined royalty burden of 24.3%. The freehold and gross overriding royalty burden for the third quarter in 2007 was unusually high due to the inclusion of approximately $273,000 for royalties related to periods prior to the quarter.

Royalties	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands except where noted)	**2008**	2007	% Change	**2008**	2007	% Change
Royalties	**23,115**	5,387	329	**61,993**	14,806	319
Per boe ($/boe)	**$13.71**	$9.29	48	**$14.32**	$8.80	63
Percentage of revenue (%)	**21.3**	24.3	(12)	**21.3**	20.4	5

For 2008, the Company continues to expect 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 preliminary analysis of the proposed royalty rate changes that have been announced to date, 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 2009 commodity price used for Company guidance purposes for the first six months of 2009 of Cdn $6.98/GJ for gas and a price of $80.00/bbl for oil, the Company's total crown royalty burden for the first six months of 2009 would increase approximately 5 percentage points above the current crown royalty rate. This would result in the total royalty burden for the Company increasing from 21% to approximately 26%.

Production Expenses

Production expenses were $18.5 million for the three months ended September 30, 2008, compared with $3.8 million for the corresponding period in 2007. This equates to a 68% increase on a per boe basis. The increase in expenses was due to the following:

1) A 194% increase in production for the quarter as compared to the previous year primarily due to the Cyries acquisition.
2) The shift in the weighting of the Company's sales towards oil, which typically has higher operating costs on a per boe basis.

Production expenses	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands)	**2008**	2007	% Change	**2008**	2007	% Change
Field operating costs	**18,080**	3,606	401	**47,842**	12,382	286
Allocated general and administrative costs	**455**	180	153	**1,180**	502	135
Total production expense	**18,535**	3,786	390	**49,022**	12,884	280

Production expenses	**Three months ended September 30,**			**Nine months ended September 30,**		
($ per boe)	**2008**	2007	% Change	**2008**	2007	% Change
Field operating costs	**$10.72**	$6.22	72	**$11.05**	$7.36	50
Allocated general and administrative costs	**$0.27**	$0.31	(13)	**$0.27**	$0.30	(9)
Total production expense	**$10.99**	$6.53	68	**$11.33**	$7.66	48

Operating costs for the third quarter of $10.99 per boe met the September 8, 2008 guidance of $11.00 per boe for the third and fourth quarter. Management expects operating costs to remain at approximately $11.00 per boe for the balance of 2008 and the first six months of 2009.

Transportation Expenses

Transportation expenses for the quarter were $1.3 million as compared to $0.7 million for the three months ended September 30, 2007, representing a 73% increase. The increase was due to the 117% increase in natural gas production for the quarter as compared to the same period in 2007 offset by a reallocation of production pipeline systems with lower transportation burdens. On a per boe basis, transportation expense decreased by 41% in the third quarter of 2008 as a result of the decrease in the percentage of the

Company's total production represented by natural gas. Oil and natural gas liquids now account for 32% of the Company's sales, as opposed to 7% for the three month period ended September 30, 2007.

Transportation expenses	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands except where noted)	**2008**	2007	% Change	**2008**	2007	% Change
Transportation expenses	**1,290**	747	73	**4,741**	2,324	104
Per boe ($/boe daily sales)	**$0.77**	$1.29	(41)	**$1.10**	$1.38	(21)

For the third quarter of 2008, transportation costs were $0.77 per boe, as compared to our September 8, 2008 guidance of $1.20 per boe. The savings was as a result of the reallocation of a portion of production to pipelines that had capacity available at lower transportation rates. Management expects transportation expense to trend back towards the $1.00 per boe range for the fourth quarter of 2008 and the first six months of 2009, in part due to a reallocation of firm capacity on some of the current pipelines.

Operating Netback

The operating netback (before general and administrative expenses) realized for the three months ended September 30, 2008 was $38.85 per boe versus $21.10 per boe for the corresponding period in 2007, an increase of 84 %. While the increase in commodity prices contributed to the increase in operating net back, the shift of the Company's production to more oil also contributed to the increase.

Operating netback	**Three months ended September 30,**			**Nine months ended September 30,**		
($/boe daily sales)	**2008**	2007	% Change	**2008**	2007	% Change
Production revenue	**$64.32**	$38.21	68	**$67.28**	$43.22	56
Royalties	**(13.71)**	(9.29)	48	**(14.32)**	(8.80)	63
Production expenses	**(10.99)**	(6.53)	68	**(11.33)**	(7.66)	48
Transportation expenses	**(0.77)**	(1.29)	(41)	**(1.10)**	(1.38)	(21)
Operating netback	**$38.85**	$21.10	84	**$40.54**	$25.38	60

On September 8, 2008, the Company had given guidance of $36.25 per boe as the expected operating netback to be realized for the third and fourth quarter of 2008. As noted above, the operating netback for the third quarter was $38.85 per boe. Based on the November 5, 2008 commodity price strip and current guidance, as reported within this MD&A, with respect to royalties, production expenses and transportation expenses, Management projects an operating netback for the fourth quarter of 2008 of $30.90 per boe for an average netback for the third and fourth quarter of $34.85 per boe. This amount is lower than previously projected due to the extreme volatility that has occurred over the past several months with respect to commodity prices and foreign exchange rates. For the first six months of 2009, again based on the November 5, 2008 commodity price strip for those periods, Management is projecting an operating netback of $25.35 per 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 107% to $4.3 million for the three months ended September 30, 2008, as compared to $2.1 million for the corresponding

period in 2007. The primary reason for the increase was higher costs associated with staffing, office accommodation and administration costs which arose as a result of the size of the office doubling as a result of the Cyries acquisition.

While general and administrative costs increased during the quarter in absolute dollars, on a per boe basis, these costs decreased by 26% in the third quarter of 2008 as compared to the same period in 2007. This was the result of efficiency gains and economies of scale associated with being a larger company.

General and administrative expenses	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands except where noted)	**2008**	2007	% Change	**2008**	2007	% Change
General and administrative costs before the following:	**4,282**	2,067	107	**12,397**	5,993	107
Capitalized overhead	**(1,045)**	(525)	100	**(2,835)**	(1,672)	70
Allocation to production expenses	**(455)**	(180)	153	**(1,180)**	(502)	135
Overhead recoveries	**(30)**	(33)	(9)	**(158)**	(99)	60
General and administrative expense	**2,752**	1,269	117	**8,224**	3,720	121
Per boe, ($/boe)	**$1.62**	$2.19	(26)	**$1.89**	$2.21	(14)

General and administrative expenses for the quarter were in line with the Company's September 8, 2008 guidance of $1.60 per boe for the third and fourth quarter. Management projects general and administrative expenses to remain at the $1.60 per boe level for the fourth quarter of 2008. For the first six months of 2009, management projects general and administrative expenses to reduce to approximately $1.45 per boe as the costs related to the combination of the Cyries and Iteration offices have been incurred.

Stock Based Compensation Expense

The Company's stock option plan provides 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 option, as determined by the difference between the option's exercise price and the Company's closing share price the day prior to surrendering 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 represented and continues to represent less than 10% of the then and currently issued and outstanding common shares of the Company. At September 30, 3008, options to purchase 8.6 million common shares were outstanding, which represents 5.2% of the outstanding common shares of the Company at that time. As of November 11, 2008, there are options to purchase 9.6 million common shares outstanding, which represent less than 5.8% of the outstanding common shares of the Company.

For the three months ended September 30, 2008, a stock based compensation recovery of $16.5 million was recorded by the Company representing the impact on stock based compensation of the unprecedented decrease in the Company's share price to $3.75 at September 30, 2008 share price, as compared to the share price of $8.26 at June 30, 2008.

During the third quarter of 2008 the remaining 117,000 outstanding warrants were exercised by management for cash. However, as the exercise price for the warrants was less than the $7.70 per share price that existed at the time the terms with respect to the warrants were changed, the exercise of the warrants has not impacted stock based compensation in the third quarter. Instead, the exercising of the warrants resulted in a partial reversal of the previous charge to retained earnings reported in the second 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 outstanding, adjusted for any options exercised for cash during the period. Based on the September 30, 2008 share price of $3.75,and the vesting of options, the entire $2.3 million liability has been recognized as a current liability in the financial statements.

Interest Expense

Interest expense on current debt (the Company had no long term debt) for the three months ended September 30, 2008 was $2.5 million as compared to $0.4 million for the three months ended September 30, 2007 and is primarily the interest expense associated with bankers acceptances utilized for financing during the quarter. The effective blended interest rate for the third quarter of 2008 on the outstanding debt was approximately 4.5%.

Interest expense	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands except where noted)	**2008**	2007	% Change	**2008**	2007	% Change
Interest expense	**2,526**	398	535	**6,705**	1,259	433
Per boe ($/boe production)	**$1.48**	$0.69	115	**$1.54**	$0.75	105

Subsequent to quarter end, the Company increased its credit facility with the syndicate of lenders to $300 million. As a result of the increase, the margin on the existing facility for borrowings by bankers acceptances and LIBOR loans has increased by between 75 and 125 basis points and by between 65 and 150 basis points on prime and US base rate loans, depending on the ratio of Earnings before interest, taxes and adjustments to net debt.

With the ongoing volatility in the credit market, combined with the increase in rates on the facility, management is projecting interest rates to increase to the 5.5% range for the balance of 2008 and the first six months of 2009 for borrowings under the credit facility by way of bankers acceptances. This rate would be inclusive of any fees associated with this type of borrowing.

Depletion, Depreciation, and Accretion

Depletion, depreciation, and accretion expense was $40.6 million for the three months ended September 30, 2008 compared to $15.1 million for the corresponding period in 2007. This represents a 173% increase. As depletion, depreciation and accretion are based on production as a percentage of the Company's proved reserves, the increase is primarily due to the 194% increase in production for the third quarter of 2008 as compared to the prior year.

On a per boe basis, depletion rates decreased from $26.06 per boe for the three months ended September 30, 2007 to $23.87 per boe for the current reporting period. This is a reflection of the increased reserves that have been achieved by the Company through its drilling and exploration program.

Depletion, depreciation and accretion	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands except where noted)	**2008**	2007	% Change	**2008**	2007	% Change
Depletion, depreciation and accretion	**40,639**	15,117	169	**101,239**	43,109	135
Per boe ($/boe production)	**$23.87**	$26.06	(8)	**$23.30**	$25.62	(9)

Capital Expenditures

Property acquisitions for the third quarter of 2008 were $36.9 million as compared to the $52.7 million for the same period of 2007. The third quarter 2008 acquisitions were predominantly natural gas properties from arm's length third parties. The amount for the third quarter of 2007 represents the acquisition of the Peace River Arch Partnership. In addition to amounts incurred on acquisitions, exploration and development capital spending for the three months ended September 30, 2008 was $31.9 million, versus $18.6 million for the three months ended September 30, 2007. The more substantial drilling program in the third quarter of 2008 is a reflection of the increased size of the Company in 2008, which allowed for the effective management of more drilling, completion and facility tie in programs.

Capital expenditures	**Three months ended September 30,**			**Nine months ended September 30,**		
($ thousands)	**2008**	2007	% Change	**2008**	2007	% Change
Acquisition of oil and gas properties, net of disposition proceeds	**36,930**	52,695	(30)	**41,476**	54,946	(25)
Exploration and development expenditures	**31,907**	18,621	71	**100,542**	71,572	40
Total	**68,837**	71,316	(3)	**142,018**	126,518	12

Iteration has reallocated some of its second half 2008 capital spending in light of the current favorable environment for asset acquisitions. The Company has deferred approximately 35 wells into 2009 and reduced capital expenditures on exploration and development activities by $24 million. This has allowed for an additional $18 million of property acquisitions, which are expected to close late in the fourth quarter of 2008. Total capital spending for exploration and development activities for 2008 is now forecast to be approximately $170 million, with an additional $59 million of property acquisitions for a total capital spending program for 2008 of $229 million. The 2008 property acquisitions to date have been a mixture of oil and gas with a combined production of approximately 1,570 boed. This equates to an acquisition cost per boed with respect to these property acquisitions of approximately $38,000.

For the first six months of 2009, the Company is projecting capital expenditures on exploration and development of $88 million, which approximates cash flow for the corresponding period. Should expected realized commodity prices improve, the Company has a significant inventory of high grade drilling prospects that can be readily added to the 2009 exploration and development program. On the other hand, should projected realized commodity prices soften, the current exploration and development program will be reduced to ensure that the Company's annual capital expenditure program remains approximately in line with projected annual cash flow. On a quarterly basis, capital spending may exceed cash flow due to the seasonality constraints on some of the Company's exploration and development program.

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 the success of exploiting the Company's existing 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 September 30, 2008, the Company had drawn $234 million, by way of bankers acceptances, on its $275 million facility. At that time, the Company had a working capital surplus, not including the liability recorded for stock based compensation, of $2 million, for a total net debt of $232 million. As at September 30, 2008, the ratio of total net debt to annualized funds flow for the quarter was 0.98 : 1.

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 of $87 million for the fourth quarter of 2008. The Company continually monitors its capital spending program in light of the recent volatility with respect to commodity prices and Canadian dollar exchange rates to ensure the Company will be able to meet future anticipated obligations incurred from normal ongoing operations with funds flow from operations and draws on the Company's syndicated facility.

During the past several months, the global credit crisis has created havoc on equity and credit markets. The Company's share price has fallen dramatically during this time, which has reduced the Company's desire to use the equity market as a source of future capital. Although the credit market has tightened significantly during this period, the Company was able to increase its credit facility by $25 million to $300 million on November 12, 2008. Although this increase resulted in an increase in the margins charged by the syndicate over and above the base rates (bankers acceptance rate, LIBOR rate or prime lending rate), the base rates have experienced a corresponding reduction during this period. While commodity prices have experienced significant downward pressure during this period, oil prices have fallen much more than natural gas. As the Company's production at September 30, 2008 was approximately 68% gas, it has been somewhat insulated from the potential impact of the decline of oil prices. Furthermore, while commodity prices have fallen during this period of time, the Canadian dollar has also weakened. As commodity benchmark prices are stated in US dollars, the decline of the Canadian dollar has also insulated the Company from some of the severity of weaker commodity prices.

In the September 8th guidance, the Company had projected cash flow for 2008 of approximately $196 million. Projected cash for the fourth quarter of 2008, based on the November 5, 2008 commodity price strip of $6.85 Cdn/GJ for natural gas and $82.00 Cdn/bbl for light crude oil, is now $42 million, for a projected 2008 cash flow of $182 million. For purposes of determining projected annual cashflow, the Company has included the impact of the following unusual items:

a) The surrender for cash of 1,642,000 options for a cash payment of $9.7 million; and

b) The anticipated $11 million uncollectible provision against the $17 million owing to the Company for natural gas and oil production produced for the period from June 1, 2008 to July 21, 2008 with respect to the SemCAMS and SemCanada CCAA filing. In the guidance published on September 8, 2008, the Company had provided for 100% of this receivable. The Company now projects that 1/3 of the receivable may be collectible. However, the timing and ultimate amount realized on this cannot be determined at this time.

The impact on the Company's projected 2008 funds flow from operations of a $1.00/GJ swing in average AECO price for the remainder of 2008 is approximately $5.7 million. The impact of a $5.00/bbl swing in WTI for oil for the remainder of 2008 is approximately $1.5 million. The impact of a 1% swing in the Canadian Dollar exchange rate for the remainder of 2008 is approximately $0.8 million.

For the first six months of 2009, the Company is projecting funds flow from operations of approximately $85 million, based on an average price during this period of $6.98 Cdn/GJ for natural gas and $80.00 Cdn/bbl for oil.

Operating Leases

The Company has entered into various operating leases with respect to its premises. The leases expire between September 30, 2012, and June 30, 2014, and require the following future minimum lease payments, by calendar year ($ thousands);

	Gross Commitment ($000)	Sublet Recovery ($000)	Net Commitment ($000)
2008	$660	($317)	$343
2009	$3,005	($1,268)	$1,738
2010	$3,537	($1,268)	$2,269
2011	$3,537	($1,268)	$2,269
2012	$3,220	($951)	$2,269
2013	$2,269	-	$2,269
2014	$1,135	-	$1,135

The lease costs associated with the office space previously occupied by Cyries has been sublet on a full recovery flow through basis commencing June 1, 2008 through to September 30, 2012. As a result of the sublet, as noted above, starting in June 2008 the Company expects to recover lease payments of approximately $1,268,000 per annum.

The existing lease on the Company's office space expires June 2009. During the third quarter of 2008, the Company renewed the lease on existing premises, plus additional expansion space, for a further five year term commencing June 1, 2009 on the existing premises and October 1, 2009 on the expansion premises.

Related Party Transactions

There were no related party transactions during the three months ended September 30, 2008.

Outstanding Common Shares, Warrants and Options

As at November 11, 2008, there were 166,020,387 common shares and 9,569,445 options outstanding. Subsequent to quarter end, 941,900 options with a weighted average exercise price of $3.68 were issued to officers and current and new employees of the Company.

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 September 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 following discussion is qualified in its entirety by the caution under the heading "Advisory – Forward Looking Information" at the beginning of the MD&A. The Company has revised its full year guidance for 2008. The revised guidance for the full year considers the Company's performance for the first nine months of 2008.

Expected 2008 Program	November 11, 2008 Revised Guidance (1)	Iteration Previous 2008 Guidance (1)(2)
Average 2008 production (boed)	16,550	17,150
Year end 2008 exit production (boed)	20,000	22,000 to 24,000 (3)
Capital program		
Exploration and development ($ million)	170	194
Property acquisitions ($ million)	59	41
Funds from operations ($ million) (4)	185	197
Year end net debt ($ million) (4)(5)	277	258
Ratio of December 31, 2008 net debt to		

annualized 2008 Q4 funds flow from operations	1.6 : 1	1.1 : 1
Net wells	80	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) Amounts presented are per the September 8, 2008 guidance published by the Company except as noted. A copy of the September 8, 2008 guidance is available on the Company's website at www.iterationenergy.com.
(3) Amount presented is per the June 30, 2008 Management Discussion and Analysis for the Company dated August 13, 2008.
(4) Includes the impact of the following:
   a) Cost of surrendering 1,642,000 options for cash consideration of $9.7 million
   b) Provision of $11 million against the amount owing to the Company of $17 million by SemCAMS and SemCanada. This represents management's estimate of the Company's exposure to the CCAA filing of SemCAMS and SemCanada. In the September 8, 2008 guidance, the entire $17 million amount owing had been provided for by the Company.
(5) Current guidance includes the amounts described in (4) (a) and (b) above plus the cash consideration paid on surrendering 3,722,000 warrants of $21.1 million.

For the first six months of 2009, the Company is providing the following guidance:

Average production (boed)	21,000
Capital program ($ million)	77
Funds from operations ($ million)	83
Quarter end net debt ($ million)	271
Ratio of Debt to annualized quarter funds flow from operations	1.6 : 1
Net wells	26
Projected commodity prices:	
Natural gas ($ Cdn/GJ)	$6.98
Light crude oil ($ Cdn/bbl)	$80.00

As a result of the global credit crisis and deteriorating expectations for global economic growth, commodity prices have fallen sharply over the last several months. If the volatility in commodity prices continues, or softens further, the Company can expect to experience decreased earnings and cashflow in comparison to previous quarters. While these factors may be mitigated to a certain extent from a weakening of the Canadian dollar, the unprecedented volatility of the exchange rate makes it difficult to project where the rate will ultimately settle and, therefore what prices and cashflow will be realized.

This volatility is expected to continue into 2009, so the Company is cautious with respect to its projected capital program for the balance of 2008 and 2009. Should realized prices strengthen, the Company has an inventory of high grade exploration opportunities that can be undertaken. However, should realized prices further weaken, the Company will scale back its proposed program to ensure that the projected annual capital program remains in line with projected annual cashflow.

Iteration has seen a dramatic drop in share price during the recent global financial uncertainty, but the Company is well positioned for future production growth and value creation. Iteration has a large inventory of both oil and gas drilling locations that remain very economic at current commodity prices and can readily high-grade between these locations as commodity prices change. We expect the 2009 drilling program to result in considerable production growth and added reserve value from a capital program that will be approximately equal to cash flow. In 2008, we have been able to divert funds from drilling and exploration into lucrative asset acquisitions when they provided attractive business opportunities. We believe that similar quality growth opportunities will occur in 2009. The Company has a large undeveloped land base and sufficient access to capital through a credit facility with four major Canadian banks to allow it to carry out its growth program.

Despite the challenges that have arisen in recent months, the Company continues to manage its business with prudence and a commitment to achieving measured growth through increased production which will create long term shareholder value.

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

Auditors

Ernst & Young LLP

Corporate Counsel

Bennett Jones LLP

Additional Information on the Company

Other information about the Company, including the Unaudited Interim Consolidated Financial Statements for the three and nine months ended September 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.