International Frontier Resources Corporation

Interim Financial Statements

For The Three Month Periods Ended March 31, 2016 and 2015

Contents

International Frontier Resources Corporation

Condensed Consolidated Interim Financial Statements

For the three month periods ended March 31, 2016 and 2015
(Unaudited)

National Instrument 51-102 Notice

The condensed consolidated interim financial statements of International Frontier Resources Corporation ("the Company") for the three-month periods ended March 31, 2016 and 2015 have been compiled by management.

These financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors.

International Frontier Resources Corporation

Condensed Consolidated Balance Sheets

	March 31, 2016	December 31, 2015
Assets		
Current		
Cash and cash equivalents (Note 14)	**$ 1,940,385**	$ 2,240,470
Receivables	**99,875**	255,885
Prepaids and deposits	**130,330**	46,000
	2,170,590	2,542,355
Restricted cash on deposit	**300,000**	300,000
Reclamation deposits	**338,060**	336,540
Investment in TE Corporation (Note 12b)	**93,235**	139,785
Exploration and evaluation (Note 5)	**7,668,010**	7,631,460
Property, plant and equipment (Note 6)	**311,940**	389,400
	$ 10,881,835	$ 11,339,540
Liabilities		
Current		
Payables and accruals	**$ 426,195**	$ 456,370
Current portion of decommissioning liabilities (Note 7)	**76,380**	92,500
	502,575	548,870
Decommissioning liabilities (Note 7)	**1,018,485**	1,080,185
	1,521,060	1,629,055
Shareholders' Equity		
Share capital (Note 8a)	**43,283,965**	43,296,940
Contributed surplus (Note 8b)	**11,893,565**	11,870,515
Deficit	**(45,816,755)**	(45,456,970)
	9,360,775	9,710,485
	$ 10,881,835	$ 11,339,540

Commitments and contingencies (Note 13)
Subsequent events (Note 16)

On behalf of the Board

(Signed) "Wm. Patrick Boswell" CEO **(Signed) "Steve Hanson"** President

See accompanying notes to the consolidated interim financial statements (unaudited).

International Frontier Resources Corporation

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

For the three months ended March 31,		2016		2015
Revenue				
Oil	$	36,270	$	118,210
Less: Royalties		(10,290)		(28,480)
		25,980		89,730
Interest income		2,775		6,500
Foreign exchange gain (loss)		(19,425)		15,695
		9,330		111,925
Expenses				
Field operating costs		54,150		88,580
General and administration		188,785		225,690
Pre exploration costs		63,870		-
Accretion (Note 7)		3,300		3,000
Depletion and depreciation (Note 6)		12,460		37,990
Loss on equity investment (Note 12b)		46,550		-
		369,115		355,260
Net loss and comprehensive loss for the period	$	(359,785)	$	(243,335)
Net loss per share (Note 10)				
Basic and diluted `	$	(0.004)	$	(0.004)

See accompanying notes to the consolidated interim financial statements (unaudited).

International Frontier Resources Corporation
Consolidated Statements of Changes in Equity
March 31, 2016

As at:	March 31, 2016		December 31, 2015		March 31, 2015	
	Number	Amount	Number	Amount	Number	Amount
Common shares						
Balance, beginning of period	85,540,845	$ 43,340,315	66,378,965	$ 42,292,955	66,378,965	$ 42,292,955
Shares issued in the period	-	-	19,161,880	1,321,195	-	-
Value of warrants (Note 8)	-	(23,050)	-	(273,835)	-	-
Share subscriptions receivable (Note 8)		(33,300)		(43,375)		-
Balance, end of period	85,540,845	$ 43,283,965	85,540,845	$ 43,296,940	66,378,965	$ 42,292,955
Contributed surplus						
Balance, beginning of period		$ 11,870,515		$ 11,325,360		$ 11,325,360
Share based compensation expense		-		271,320		-
Value of warrants (Note 8)		23,050		273,835		-
Balance, end of period		$ 11,893,565		$ 11,870,515		$ 11,325,360
Deficit						
Balance beginning of period		$ (45,456,970)		$ (41,062,195)		$ (41,062,195)
Net loss for the period		(359,785)		(4,394,775)		(243,335)
Deficit end of period		$ (45,816,755)		$ (45,456,970)		$ (41,305,530)

See accompanying notes to the consolidated interim financial statements (unaudited).

International Frontier Resources Corporation

Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the three months ended March 31,	2016	2015
Operating		
Net loss from continuing operations	$ (359,785)	$ (243,335)
Non Cash Items:		
Depletion and depreciation	12,460	37,990
Accretion	3,300	3,000
Loss on equity investment	46,550	-
Decommissioning liabilities settled (Note 7)	(16,120)	-
	(313,595)	(202,345)
Change in non-cash operating working capital (Note 14)	39,985	(72,390)
	(273,610)	(274,735)
Investing		
Additions to exploration and evaluation assets (Note 5)	(36,550)	(25,530)
Change in non-cash investing working capital (Note 14)	-	-
	(36,550)	(25,530)
Financing		
Share subscription receivable (Note 8)	10,075	-
Change in non-cash financing working capital (Note 14)	-	-
	10,075	-
Net decrease in cash and cash equivalents	(300,085)	(300,265)
Cash and cash equivalents (Note 14)		
Beginning of period	2,240,470	2,803,670
End of period	$ 1,940,385	$ 2,503,405

See accompanying notes to the consolidated interim financial statements (unaudited).

1. Nature of operations

The Company is engaged in the exploration for and development of oil and natural gas reserves. These activities are conducted in the Central Mackenzie Valley (“CMV”), Northwest Territories, Canada, south east Alberta, Canada, north-west Montana in the United States and in Mexico. These consolidated financial statements are denoted in Canadian dollars.

The Company was incorporated under the Canada Business Corporations Act in Alberta, Canada in 1997. The Company is listed on the TSX Venture Exchange, having the symbol IFR-V. The address of the Company's corporate office and principal place of business is 100, 601 10 Avenue S.W., Calgary, Alberta, Canada.

The consolidated financial statements include the accounts of the Company and its 95% owned Mexican subsidiary, Petro Frontera S.A.P.I de CV ("Frontera") ") accounted for using consolidation method. All inter-company transactions and balances are eliminated upon consolidation. The consolidated financial statements also include Frontera's 50% investment in Mexican associated company, Tonalli Energia S.A.P.I. de CV ("TE Corporation") accounted for using the equity method of accounting.

2. Basis of preparation and statement of compliance

The condensed consolidated interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited Financial Statements at December 31, 2015.

The timely preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated interim `financial statements.

These condensed consolidated interim financial statements were approved and signed by the Chief Executive Officer and the President on May 24, 2016, having been duly authorized to do so by the Board of Directors.

3. Summary of significant accounting policies

These unaudited interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements for the year ended December 31, 2015, except as identified in Note 4.

The preparation of unaudited interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Further information on the Company’s significant accounting policies, future changes in accounting policies and estimates can be found in the notes to the audited financial statements for the year ended December 31, 2015.

4. New Accounting Policies

Change in accounting policies

On January 1, 2016, the Company adopted the following pronouncements as issued by the IASB. The adoption of these standards did not have a material impact on Company's consolidated financial statements.

i) IFRS 5 Non current Assets Held for Sale and Discontinued Operations

The amendment clarifies circumstances in which an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), and in circumstances which an entity no longer meets the criteria for held for distribution.

ii) IFRS 7 Financial Instruments

The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements.

iii) IAS 19 Employee Benefits

The amendment clarifies the application of the requirements of IAS 19 Employee Benefits (2011) on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency.

iv) IAS 34 Interim Financial Reporting

The amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and requires a cross reference.

v) IAS 27 Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

vi) IFRS 11 Joint Arrangements

These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

4. New Accounting Policies (continued)

Future accounting policies

The following accounting standards and amendments are effective for future periods. The impact of the adoption of the following pronouncements are currently being evaluated.

i) Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

These amendments are effective for reporting periods beginning on or after January 1, 2017.

ii) IFRS 9 Financial Instruments

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

This standard is effective for reporting periods beginning on or after January 1, 2018.

iii) IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

This standard is effective for reporting periods beginning on or after January 1, 2018.

4. New Accounting Policies (continued)

iv) IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019.

5. Exploration and evaluation assets

As at March 31, 2016, exploration and evaluation assets consist of total costs, incurred less impairments, in the the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada of $7,023,145 (December 31, 2015 - $6,875,595), costs incurred in Southern Alberta, Canada of $Nil (December 31, 2015 - $Nil) and costs incurred in, north-west Montana, USA of $644,865 (December 31, 2015 - $644,865).

Cost	Canada	USA	Total
Balance at December 31, 2015	$ 23,141,360	$ 2,748,730	$ 25,890,090
Additions	36,550	-	36,550
Balance at March 31, 2016	**$ 23,177,910**	**$ 2,748,730**	**$ 25,926,640**

Accumulated Impairment	Canada	USA	Total
Balance at December 31, 2015	$ (16,154,765)	$ (2,103,865)	$ (18,258,630)
Additions	-	-	-
Balance at March 31, 2016	**$ (16,154,765)**	**$ (2,103,865)**	**$ (18,258,630)**

Carrying Value			
Balance at December 31, 2015	$ 6,986,595	$ 644,865	$ 7,631,460
Balance at March 31, 2016	$ 7,023,145	$ 644,865	$ 7,668,010

At March 31, 2016, the Company booked an impairment charge of $Nil (December 31, 2015 - $32,605) with respect to its exploration and evaluation assets in the Southern Alberta and $Nil (December 31, 2015 - $2,103,865) with respect to its exploration and evaluation assets in north-west Montana, USA.

6. Property, plant and equipment

Cost	Canada	USA	Total
Balance at December 31, 2015	$ 4,083,875	$ 136,785	$ 4,220,660
Additions	-	-	-
Change in decommissioning liability	(65,000)	-	(65,000)
Balance at March 31, 2016	**$ 4,018,875**	**$ 136,785**	**$ 4,155,660**

Cost	Canada	USA	Total
Balance at December 31, 2015	$ (3,732,220)	$ (99,040)	$ (3,831,260)
Depletion and depreciation	(9,995)	(2,465)	(12,460)
Balance at March 31, 2016	**$ (3,742,215)**	**$ (101,505)**	**$ (3,843,720)**

Carrying Value			
Balance at December 31, 2015	$ 351,655	$ 37,745	$ 389,400
Balance at March 31, 2016	$ 276,660	$ 35,280	$ 311,940

At March 31, 2016, a $Nil (December 31, 2015 - $484,455) impairment of petroleum and natural gas assets in Canada has been recorded to reflect the excess carrying amount of assets over fair value of future reserves.

7. Decommissioning Liabilities

The total future decommissioning liabilities result from the Company's net ownership interest in wells and facilities. Management estimates the total undiscounted amount of future cash flows required to reclaim and abandon wells and facilities as at March 31, 2016 is $1,032,380 (December 31, 2015 - $1,048,500) with abandonment dates ranging from 1 to 6 years (December 31, 2015 – 1 to 6 years). The liability was determined using an average risk-free rate of 0.58% (December 31, 2015 – 0.91%) and an inflation rate of 2% (December 31, 2015 – 2%).

The Company's decommissioning liabilities changed as follows:

	March 31, 2016	December 31, 2015
Balance, beginning of period	**$ 1,172,685**	$ 1,203,235
Adjustments for abandonment dates and estimated costs	**(65,000)**	-
Liabilities settled	**(16,120)**	(43,450)
Accretion expense	**3,300**	12,900
Balance, end of period	**1,094,865**	1,172,685
Current portion	**(76,380)**	(92,500)
Long term portion	**$ 1,018,485**	$ 1,080,185

8. Share Capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

	Number of Shares	Issue Price	Amount ($)
Balance at December 31, 2014	66,378,965		$ 42,292,955
Shares issued via private placement	17,000,000	$0.065	1,105,000
Shares issued via private placement	2,161,880	$0.10	216,195
Share subscriptions receivable			(43,375)
Value attributed to warrants	-		(273,835)
Balance at December 31, 2015	66,378,965		$43,296,940
Share subscriptions receivable			10,075
Value attributed to warrants	-		(23,050)
Balance at March 31, 2016	**85,540,845**		**$43,283,965**

b) Contributed Surplus

	March 31, 2016	December 31, 2015
Balance, beginning of period	**$ 11,870,515**	$ 11,325,360
Stock options	**-**	271,320
Extension of warrants	**-**	-
Warrants issued	**23,050**	273,835
Balance, end of period	**$ 11,893,565**	$ 11,870,515

c) Share Purchase Warrants

	December 31, 2015		December 31, 2015	
	Number of Warrants	**Amount**	Number of Warrants	Amount
Balance, beginning of period (i), (ii)	**25,961,880**	**$ 487,315**	6,800,000	$ 213,480
Value attributed to extension of warrants (i, ii)	-	**23,050**	**-**	-
Issued (iii)	-	**-**	17,000,000	250,285
Issued (iii)	**-**	**-**	2161,880	23,550
Balance, end of period	**25,961,880**	**$ 487,315**	25,961,880	$ 487,315

8. Share Capital (continued)

c) Share Purchase Warrants

(i) On November 6, 2013, the Company completed a non-brokered private placement, consisting of the issue of 4,000,000 units at a price of $0.065 per unit for gross proceeds of $260,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.10 for a period of two years from the date of issuance. All units were purchased by Directors of the Company.

In November 2014 the Company was granted a one-year extension of these warrants to November 16, 2016. In January 2016 the Company was granted and extension of these warrants to December 2, 2017.

The weighted average fair market value of warrants granted in 2013 was $ 0.06, and the weighted average fair market value of these warrants per extension was $0.01. The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	January 2016, Extension	November 2014, Extension	December 31, 2013
Risk-free interest rate	0.43%	1.05%	1.11%
Forfeiture rate	0.00%	0.00%	0.00%
Expected life of warrants	I year	I year	2 years
Volatility	81%	69%	101%

(ii) On October 29, 2014, the Company completed a non-brokered private placement, consisting of the issue of 2,800,000 units at a price of $0.065 per unit for gross proceeds of $182,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.10 for a period of two years from the date of issuance. Directors of the Company purchased all of the units.

In January 2016 the Company was granted and extension of these warrants to December 2, 2017.

The weighted average fair market value of warrants granted was $ 0.01, and the weighted average fair market value of these warrants per extension was $0.02. The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	January 2016, Extension	December 31, 2014
Risk-free interest rate	0.43%	1.05%
Forfeiture rate	0.00%	0.00%
Expected life of warrants	I year	2 years
Volatility	81%	69%

8. Share Capital (continued)

c) Share Purchase Warrants

(iii) On October 29, 2015, the Company completed a non-brokered private placement, consisting of the issue of 17,000,000 units at a price of $0.065 per unit for gross proceeds of $1,105,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.10 for a period of two years from the date of issuance.

In addition, due to an oversubscription of funds, the company closed a second tranche of units consisting of 2,161,880 Units at a price of $0.10 for gross proceeds of $216,188. Each Unit consists of one common share of the Company and one common share purchase warrant. Each Warrant will entitle the holder thereof to purchase one Share at a price of $0.13 for a period of two years from the date of issuance.

The weighted average fair market value of warrants granted was $ 0.0135. The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2015
Risk-free interest rate	0.62%
Forfeiture rate	0.00%
Expected life of warrants	2 years
Volatility	71.87%

d) Stock options

The Company has a stock option plan available to consultants, officers, directors, and employees of the Company to be granted options of up to 10 percent of the issued and outstanding common shares of the Company. The exercise price of each option approximates the market price for the common shares on the date the option was granted. As at March 31, 2016, 8,554,085 common shares were reserved for issuance under the plan. Options granted under the plan vest upon granting and have a term of five years to expiry.

Outstanding and exercisable

	March 31, 2016			December 31, 2015		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance, beginning of period	**8,356,500**	**$**	**0.11**	6,306,500	$	0.10
Granted	**-**	**$**	**-**	4,000,000	$	0.12
Expired	**-**	**$**	**-**	(2,000,000)	$	0.10
Exercised	**-**	**$**	**-**	-	$	-
Balance, end of period	**8,356,500**	**$**	**0.11**	8,356,500	$	0.11

8. Share Capital (continued)

d) Stock options

March 31, 2016	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.10	4,856,500	2.69	$ 0.10	4,856,500	$ 0.10
$0.13	3,500,000	4.35	$ 0.13	3,500,000	$ 0.13
	8,356,500	3.24	$ 0.11	8,356,500	$ 0.11

12. Capital Disclosures

In the management of capital, the Company includes certain working capital balances in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. As at March 31, 2016, the Company's capital as defined above was as follows:

	March 31, 2016	December 31, 2015
Working capital balances included:		
Cash and cash equivalents	**$ 1,940,385**	$ 2,240,470
Restricted cash	**300,000**	300,000
Payables and accruals	**(426,195)**	(456.370)
Current portion of asset decommissioning liabilities	**(76,380)**	(92,500)
	$ 1,737,810	$ 1,991,600

The Company is in the business of oil and gas exploration in Mexico, Canada and the United States. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business.

The majority of the properties in which the Company currently has an interest are in the exploration stage and do not generate any revenue. The Company does earn revenue from properties owned in Alberta. The Company therefore is dependent upon partnerships with industry and external financing to fund the majority of its future exploration programs. The Company will spend existing working capital and will seek additional financing as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties or joint venture opportunities if management feels there is sufficient geologic or economic potential.

10. Per share

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net loss	$ (359,785)	$ (243,335)
Weighted average number of shares	85,540,845	63,378,965
Basic and diluted loss per share	$ (0.004)	$ (0.004)

In calculating diluted common share amounts for the period ended March 31, 2016, the Company excluded 8,356,500 (March 31, 2015 – 6,356,500) options and 25,961,880 warrants (March 31, 2015 - 6,800,000), because the exercise price was greater than the average market price of its common shares during the period.

11. Related party transactions

In the first quarter the Company paid compensation to key executives as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Executive officers – salaries	$ 130,000	$ 35,000
Executive officers and directors – consulting fees	6,900	98,275
Royalty incentive program	1,370	4,405
	$ 138,270	$ 137,680

At March 31, 2016, $1,370 (December 31, 2015 – $17,125) of the above amounts were included in payables and accruals.

Also included in receivables at March 31, 2016 is $88,920 (December 31, 2015 - $200,690) representing amounts for reimbursement of overhead expenses owing from TE Corporation, in which the Company's 95% owned Mexican subsidiary, Frontera, has a 50% shareholding.

The above transactions were incurred in the normal course of operations of the Company and have been recorded at the exchange amounts that were established and agreed upon by the related parties.

12. Segmented information

The Company's activities are conducted in two geographic segments: Canada and Mexico. All activities relate to exploration for and development of petroleum and natural gas.

a) Earnings (Loss)

Three months ended March 31, 2016

	Canada	Mexico	Total
Oil revenues	$ 36,270	$ -	$ 36,270
Less: royalties	(10,290)	-	(10,290)
	25,980	-	25,980
Interest income	2,775		2,775
Foreign exchange gain (loss)	(19,425)	-	(19,425)
	9,330	-	9,330
Expenses			
Field operating costs	54,150	-	54,150
General and administration	185,885	2,900	188,785
Pre exploration costs	10,430	53,440	63,870
Accretion	3,300	-	3,300
Depletion and depreciation	12,460	-	12,460
Loss on equity investment	-	46,550	46,550
	266,225	102,890	369,115
Net loss and comprehensive loss	$ (256,895)	$ (102,890)	$ (359,785)

At March 31, 2016 total net loss of $300,265 was attributed to Canadian operations.

b) Investment in Subsidiaries

In 2015 the Company, through its Mexican subsidiary Petro Frontera S.A.P.I de CV (Frontera) invested in a 50% interest in a Mexican associated company, "Tonalli Energia, S.A.P.I de C.V." (TE Corporation).

The investment in TE Corporation is accounted for using the equity method of accounting. The Company's original investment in TE Corporation of $229,950 at September 30, 2015 represents the value of Frontera's investment for shares of TE Corporation.

At March 31, 2016 the Company's investment of $139,785 in TE Corporation at December 31, 2015 has been adjusted for losses of $46,550 (December 31. 2015 - $90,165). The net investment at March 31, 2016 is $93,235.

13. Commitments and contingencies

a) The Company has issued a letter of credit for its share of a refundable deposit on Northwest Territories exploration license. The letter of credit is secured by a total assignment of cash of $300,000 (December 31, 2015 – $300,000). The Company is contingently liable under the letter of credit for $300,000 (December 31, 2015 - $300,000). The deposit will be refunded by $1 for every $4 spent on qualified expenditures on the exploration license

b) The Company is party to an agreement to lease its premises until October 31, 2016. The annual rent of premises consists of a minimum rent plus occupancy costs. Minimum rent payable for premises until the end of the lease is $15,435. The Company pays monthly rent of $1,745 for additional sub-let office space, the space is leased on a monthly basis.

c) The Company has established a Royalty Incentive Agreement for officers who are also Directors and consultants. Under the plan, the compensation committee issues units and pays royalties on an annual basis to employees, consultants and directors. The units entitle the holder to receive an annual payment based on 2% of the Company's annual gross oil and gas production revenue, net of transportation and processing fees from licenses and lands owned by the Company. Under the terms of the agreement, once the Company has recovered payout of 100% of its cumulative annual capital expenditures from licenses and lands owned by the Company, the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees. At March 31, 2016, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson property. Costs of $1,370 (March 31, 2015- $4,405) were booked with respect to this plan.

14. Supplemental cash flow information

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Receivables	**$ 156,010**	$ 29,170
Prepaids	**(85,850)**	10,875
Payables and accruals	**(30,175)**	(112,435)
	$ 39,985	$ (72,390)
Operating activities	**$ 39,985**	$ (72,390)
Investing activities	**-**	-
	$ 39,985	$ (72,390)
Taxes paid	**$ -**	$ -
Interest paid	**$ -**	$ -
Cash and cash equivalents are comprised of:		
Cash	$ **413,490**	$ 297,405
Cash on hand - Mexico	**$ 26,895**	$ -
Short-term investments (bearing interest rates ranging from 0.70% - 0.75%)	**1,500,000**	2,200,000
	$ 1,940,385	$ 2,503,405

15. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, restricted cash, receivables, reclamation deposits and payables and accruals. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

a) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. A portion of the Company's financial assets at the balance sheet date arise from crude oil sales. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

At March 31, 2016, substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company markets its oil through one marketer. The increased risk arising from exposure to one entity is mitigated by the fact that oil production is not a significant part of the Company’s business at this time as the Company is engaged primarily in the exploration for and development of petroleum and natural gas reserves. The following table presents the aging of the Company’s accounts receivable at March 31, 2016:

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 99,875	$ 15,035	$ 25,235	$ 25,920	$ 35,685

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets. There are no material financial assets that are past due. During 2016, there was no allowance for doubtful accounts recorded, as all amounts outstanding at March 31, 2016 are deemed collectible.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance account. At March 31, 2016, the Company’s allowance for doubtful accounts balance was $Nil (March 31, 2015 – $Nil).

b) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company’s interest rate price risk with respect to funds invested in short term marketable securities. As at March 31, 2016, the Company did not have any financial assets based on variable interest rates and as such the Company has no specific interest rate risk at year-end. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company’s exposure to interest rate.

15. Financial Instruments (continued)

c) Foreign currency risk

The Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates, primarily between Canadian and U.S. dollars. The Corporation does not utilize any foreign currency based derivatives. In order to manage this risk and to defer the realization of any resulting currency loss from converting Canadian dollars to US dollars, the Corporation retains cash balances in both US and Canadian dollars.

At March 31, 2016, the carrying amount of the Company's Mexican Pesos denominated net monetary assets was approximately $370,000 Pesos. Assuming all other variables remain constant, a fluctuation of one percent in the exchange rate of the Canadian dollar to the Mexican Pesos at March 31, 2016 would have affected the value of such balances by approximately $3,700 CAD.

At March 31, 2016, the carrying amount of the Company's U.S. Dollar denominated monetary assets was approximately $282,000 USD. Assuming all other variables remain constant, a fluctuation of one percent in the exchange rate of the Canadian dollar to the U.S. Dollar at March 31, 2016 would have affected the value of such balances by approximately $2,800 CAD.

d) Liquidity Risk

Liquidity risk includes the risk that:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including, amounts projected to complete budgeted capital expenditures are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, opening cash and cash equivalents balance, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, and cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and access to equity markets. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing.

e) Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, trade accounts receivable, restricted cash on deposit, reclamation deposits and payables and accruals. The fair values of receivables and payables and accruals approximate their carrying amounts due to their short terms to maturity. The restricted cash balances are equal to their fair values. The Company classifies the fair value of financial instruments

at fair value through profit or loss according to the following hierarchy based on the amount of observable inputs used to value the instrument. I can't move this

15. Financial Instruments (continued)

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

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

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

At March 31, 2016, cash and cash equivalents and restricted cash on deposit have been classified as Level 1.

March 31, 2016			Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 99,875	$ 99,875	$ -	$ 99,875
Reclamation deposits	338,060	338,060	-	338,060
Held for trading				
Cash and cash equivalents	1,940,385	1,940,385	1,940,385	-
Restricted cash on deposit	300,000	300,000	300,000	-
	$ 2,678,320	$ 2,678,320	$ 2,240,385	$ 437,935
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 426,195	$ 426,195	$ -	$ 426,195
Total financial liabilities	$ 426,195	$ 426,195	$ -	$ 426,195

15. Financial Instruments (continued)

December 31, 2015			Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 255,885	$ 255,885	$ -	$ 255,885
Reclamation deposits	336,540	336,540	-	336,540
Held for trading				
Cash and cash equivalents	2,240,470	2,240,470	2,240,470	-
Restricted cash on deposit	300,000	300,000	300,000	-
	$ 3,132,895	$ 3,132,895	$ 2,540,470	$ 592,425
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 456,370	$ 456,370	$ -	$ 456,370
Total financial liabilities	$ 456,370	$ 456,370	$ -	$ 456,370

16. Subsequent events

Subsequent to the end of Q1, 2016 Tonalli was awarded the Tecolutla block. The block was awarded to Tonalli as the first place bidder was not able to provide the Mexican authorities with the required financial guarantees. Tonalli expects the formal award of the Tecolutla block will be completed in September/October 2016. Upon formal award shareholders will be updated on the significant potential of the Tecolutla block.

On May 18th, 2016, the Company granted 150,000 incentive stock options to consultants and employees pursuant to the Company's stock option plan. The options are exercisable for a period of 5 years at a price of $0.15 per share.