International Frontier Resources Corporation

Interim Financial Statements

For the Three Month Periods Ended March 31, 2017 and 2016

Contents

International Frontier Resources Corporation
Condensed Consolidated Interim Financial Statements
For the three month periods ended March 31, 2017 and 2016
(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, 2017 and 2016 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

Consolidated Balance Sheets

	March 31, 2017	December 31, 2016
Assets		
Current		
Cash and cash equivalents (Note 14)	**$ 5,574,320**	$ 1,944,420
Receivables	**420,030**	194,610
Prepaids and deposits	**111,635**	17,785
Assets held for sale (Note 15)	**512,310**	502,150
	6,518,295	2,658,965
Restricted cash on deposit	**300,000**	300,000
Reclamation deposits	**-**	-
Investment in TE Corporation (Note 12b)	**482,425**	365,780
Exploration and evaluation (Note 5)	**6,979,570**	6,958,260
Property, plant and equipment (Note 6)	**6,175**	6,550
	$ 14,286,465	$ 10,289,555
Liabilities		
Current		
Payables and accruals	**$ 343,485**	$ 357,900
Liabilities related to assets held for sale (Note 15)	**1,220,720**	1,303,425
	1,564,205	1,661,325
Shareholders' Equity		
Share capital (Note 8a)	**49,736,500**	44,854,935
Contributed surplus (Note 8b)	**12,473,745**	12,482,395
Deficit	**(49,487,985)**	(48,709,100)
	12,722,260	8,628,230
	$ 14,286,465	$ 10,289,555

Commitments and contingencies (Note 13)
Subsequent events (Note 19)

On behalf of the Board

(Signed) "Gary Lyons" Director **(Signed) "Anthony Kinnon"** Director

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,	2017	2016
Revenue		
Interest income	**2,430**	2,775
Foreign exchange gain (loss)	**2,280**	(19,425)
	4,710	(16,650)
Expenses		
General and administration	**464,845**	188,785
Pre exploration costs	**63,000**	63,870
Depletion and depreciation (Note 6)	**375**	2,465
Loss on equity investment (Note 12b)	**216,120**	46,550
	744,340	301,670
Net loss and comprehensive loss from continuing operations	**$ (739,630)**	$ (318,320)
Net loss from discontinued operations (Note 15)	**(39,255)**	(41,465)
Net loss	**$ (778,885)**	$ (359,785)

Net loss from continuing operations per share (Note 10)		
Basic	**$ (0.01)**	$ (0.004)
Net loss from discontinued operations per share (Note 10)		
Basic	**$ (0.00)**	$ (0.00)
Net loss per share (Note 10)		
Basic	**$ (0.01)**	$ (0.004)

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

International Frontier Resources Corporation

Consolidated Statements of Changes in Equity

March 31, 2017

As at:	March 31, 2017		December 31, 2016		March 31, 2016	
	Number	Amount	Number	Amount	Number	Amount
Common shares						
Balance, beginning of period	100,690,845	$44,854,935	85,540,845	$43,296,940	85,540,845	$43,296,940
Shares issued for cash	18,068,160	5,059,085	12,800,000	1,600,000	-	-
Shares issued in lieu of Finder's Fee	-	-	1,250,000	187,500	-	-
Shares issue on exercise of options	-	-	450,000	88,440	-	-
Shares issue on exercise of warrants	250,000	33,650	650,000	98,310	-	-
Value of warrants (Note 8)	-	-	-	(424,245)	-	(23,050)
Share subscriptions receivable (Note 8)	-	(43,500)	-	30,865	-	-
Share Issue costs	-	(167,670)	-	(22,875)	-	-
Balance, end of period	119,009,005	$49,736,500	100,690,845	$44,854,935	85,540,845	$43,273,890
Contributed surplus						
Balance, beginning of period		$12,482,395		$11,870,515		$11,870,515
Share based compensation		-		-		-
expense (Note 8)		-		247,385		-
Value of warrants (Note 8)		-		424,245		23,050
Exercise of warrants		(8,650)		(25,310)		-
Exercise of stock options		-		(34,440)		-
Balance, end of period		$12,473,745		$12,482,395		$11,893,565
Deficit						
Balance beginning of period		$(48,709,100)		$(45,456,970)		$(45,456,970)
Net loss for the period		(778,885)		(3,252,130)		(359,785)
Deficit end of period		$(49,487,985)		$(48,709,100)		$(45,816,755)

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,		2017		2016
Operating				
Net loss from continuing operations	$	**(739,630)**	$	(318,320)
Non Cash Items:				
Depletion and depreciation		**375**		2,465
Loss on equity investment (Note 12b)		**216,120**		46,550
		(523,135)		(269,305)
Change in working capital (Note 14)		**(328,350)**		39,985
Cash flow from continuing operations		**(851,485)**		(229,320)
Cash flow from discontinued operations		**(137,465)**		(44,290)
		(988,950)		(273,610)
Investing				
Additions to exploration and evaluation assets (Note 5)		**(21,310)**		(36,550)
Investment in TE Corporation		**(332,765)**		-
Cash flow from continuing investing activities		**(354,075)**		(36,550)
Financing				
Units issued for cash (Note 8)		**5,059,085**		-
Exercise of warrants		**25,000**		-
Share subscription receivable (Note 8)		**(43,500)**		10,075
Share issuance costs		**(167,660)**		-
Change in non-cash financing working capital (Note 14)		**-**		-
Cash flow from continuing financing activities		**4,872,925**		10,075
Net decrease in cash and cash equivalents		**(3,529,900)**		(300,085)
Cash and cash equivalents (Note 14)				
Beginning of period		**1,944,420**		2,240,470
End of period	$	**5,474,320**	$	1,940,385

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

1. Nature of operations

International Frontier Resources Corporation (the "Company") is an independent Canadian publicly traded company, the principle business of which is to acquire, develop, exploit and produce oil and natural gas in Mexico, the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada, and in north-west Montana in the United States. 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 Suite 2410, 520 5th Avenue S.W., Calgary, Alberta, Canada.

The consolidated financial statements include the accounts of the Company and its 99.80% owned Mexican subsidiary, Petro Frontera S.A.P.I de CV ("Frontera"), which is accounted for using the consolidation method. All inter-company transactions and balances are eliminated upon consolidation. The consolidated financial statements also include Frontera's 50% investment in Tonalli Energia S.A.P.I. de CV ("TE Corporation"), a Mexican company which is accounted for using the equity method.

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, 2016.

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 Chairman and Co-Chairman of the Board of Directors on May 25, 2017, 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, 2016, 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, 2016.

4. New Accounting Policies

Change in accounting policies

On January 1, 2017, 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) 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.

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.

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, 2017, exploration and evaluation assets consist of total costs incurred less impairments in the the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada and Montana, USA.

Cost	**Canada**	**USA**	**Total**
Balance at December 31, 2015	$ 23,141,360	$ 2,748,730	$ 25,890,090
Additions	113,800	-	113,800
Recovery of costs	-	-	-
Balance, as at December 31, 2016	23,255,160	2,748,730	26,003,890
Additions	21,310	-	21,310
Balance at March 31, 2017	**$ 23,276,470**	**$ 2,748,730**	**$ 26,025,200**

Accumulated Impairment	**Canada**	**USA**	**Total**
Balance, as at December 31, 2015	$ (16,154,765)	$ (2,103,865)	$ (18,258,630)
Impairments	(787,000)	-	(787,000)
Balance, as at December 31, 2016	(16,941,765)	(2,103,865)	(19,045,630)
Impairments	-	-	-
Balance at March 31, 2017	**$ (16,941,765)**	**$ (2,103,865)**	**$ (19,045,630)**

Carrying Value			
Balance at December 31, 2016	$ 6,313,395	$ 644,865	$ 6,958,260
Balance at March 31, 2017	$ 6,334,705	$ 644,865	$ 6,979,570

As at March 31, 2017, the Company completed a review of its undeveloped properties included in exploration and evaluation assets and determined that there was an impairment of $Nil (December 31, 2016 - $787,000) with respect to its properties in the Northwest Territories and $Nil (December 31, 2016 - $Nil) with respect to it's properties in Montana.

The impairment charge at December 31, 2016 of $787,000 is related to its properties in the Central Mackenzie Valley, Northwest Territories and is made up of $597,000 of historic seismic costs and $190,000 for a license that IFR planned to relinquish. The Company relinquished this licence in Q1, 2017.

6. Property, plant and equipment

As at March 31, 2017 an impairment of $Nil (2015 - $484,455) of petroleum and natural gas assets in Canada has been recorded to reflect the difference in the carrying value of the assets over the fair value of future reserves.

Cost	Petroleum and natural gas properties	Office furniture and equipment	Carrying Amount
Balance, as at December 31, 2015	$ 4,083,875	$ 136,785	$ 4,220,660
Additions	65,780	785	66,565
Change in decommissioning liability	125,000	-	125,000
Reclassified as assets held for sale	(4,274,655)	-	(4,274,655)
Balance at December 31, 2016	-	137,570	137,570
Additions	-	-	-
Balance at March 31, 2017	**$ -**	**$ 137,570**	**$ 137,570**
Depletion and depreciation			
Balance, as at December 31, 2015	$ (3,732,220)	$ (99,040)	$ (3,831,260)
Depletion and depreciation	(55,620)	(31,980)	(87,600)
Reclassified as assets held for sale	3,787,840	-	3,787,840
Balance at December 31, 2016	-	(131.020)	(131,020)
Depletion and depreciation	(19,545)	(375)	(19,920)
Reclassified as assets held for sale	19,545	-	19,545
Balance at March 31, 2017	**$ -**	**$ (131,395)**	**$ (131,395)**
Carrying Value			
Balance at December 31, 2016	$ -	$ 6,550	$ 6,550
Balance at March 31, 2017	$ -	$ 6,175	$ 6,175

7. Decommissioning Liabilities

The total future decommissioning liabilities result from the Company's net ownership interest in wells and facilities. Management estimates of the total undiscounted amount of future cash flows required to reclaim and abandon wells and facilities as at March 31, 2017 is $1,230,000 (December 31, 2016 - $1,238,000) with abandonment dates ranging from 1 to 6 years (December 31, 2016 – 1 to 6 years). The liability was determined using an average risk-free rate of 0.98% (December 31, 2016 – 0.67%) and an inflation rate of 2% (December 31, 2016 – 2%).

The Company's decommissioning liabilities changed as follows:

	March 31, 2017	December 31, 2016
Balance, beginning of year	**$ 1,202,605**	$ 1,172,685
Revisions	**-**	125,000
Liabilities settled	**-**	(103,580)
Accretion expense	**3,400**	8,500
Balance, end of year	**1,206,005**	1,202,605
Current portion	-	-
Reclassified as non-current liabilities held for sale	**(1,206,505)**	(1,202,605)
Long term portion	**$ -**	$ -

8. Share Capital

a) **Authorized:**
Unlimited common shares, Unlimited preferred shares

	Number of Shares	Issue Price	Amount ($)
Balance at December 31, 2015	85,540,845		$43,296,940
Shares issued via private placement (Note 8c) iv))	12,800,000	$0.125	1,600,000
Shares issued via exercise of stock options	450,000	$0.12	54,000
Contributed surplus transferred on exercise of stock options			34,440
Shares issued pursuant to finder's fee (Note 8a) (i))	1,250,000		187,500
Shares issued via exercise of warrants	650,000	$0.11	73,000
Contributed surplus transferred on exercise of warrants			25,310
Value attributed to warrants			(424,245)
Share issue costs			(22,875)
Share subscriptions collected			43,375
Share subscriptions receivable			(12,510)
Balance at December 31, 2016	**100,690,845**		**$44,854,935**
Shares issued via private placement (Note 8a) (ii))		$0.28	5,059,085
Shares issued via exercise of warrants	250,000	$0.10	25,000
Contributed surplus transferred on exercise of warrants			8,650
Share issue costs			(167,670)
Share subscriptions collected			12,500
Share subscriptions receivable			(56,000)
Balance at March 31, 2017	**119,009,005**		**$49,736,500**

(i) On September 23, 2016, the TSX Venture approved the Company's issuance of 1,250,000 common shares at a price of $0.15 per share pursuant to a finder's fee agreement with Industria Miral, SA de CV. for the provision of services that assisted the Company in obtaining a joint venture partner and bidding on licenses in Mexico.

(ii) On March 3, 2017, the Company closed a private placement for gross proceeds of $5,059,085, (net $4,911,340) which consisted of the issuance of 18,068,160 common shares at a price of $0.28 per common share. All shares issued under the brokered placement and non-brokered placement are subject to restrictions on resale expiring July 4, 2017.

b) Contributed Surplus

	March 31, 2017	December 31, 2016
Balance, beginning of period	$ **12,482,395**	$ 11,870,515
Stock options granted	**-**	247,385
Exercise of stock options	**-**	(34,440)
Exercise of warrants	**(8,650)**	(25,310)
Value attributed to unit warrants	-	424,245
Balance, end of period	**$ 12,328,745**	$ 12,482,395

c) Share Purchase Warrants

	March 31, 2017 Number of Warrants	March 31, 2017 Amount	December 31, 2016 Number of Warrants	December 31, 2016 Amount
Balance, beginning of period (i), (ii)	**31,711,880**	**$ 886,250**	25,961,880	$ 487,315
Value attributed to extension of warrants (i, ii)	-	**-**	**-**	23,050
Issued (iii)	-	-	-	-
Issued (i, iv)	**-**	**-**	6,400,000	401,195
Exercised (iii, iv)	**250,000**	**(8,650)**	(650,000)	(25,310)
Balance, end of period	**31,461,880**	**$ 873,600**	31,711,880	$ 886,250

March 31, 2017	Warrants Outstanding			Warrants Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercisable Price
$0.10	23,000,000	0.85	$ 0.10	23,250,000	$ 0.10
$0.13	2,161,880	0.83	$ 0.13	2,161,880	$ 0.13
$0.18	6,300,000	1.49	$ 0.18	6,300,000	$ 0.18
	31,461,880	0.98	$ 0.12	31,711,880	$ 0.12

A summary of the above purchase warrants outstanding at March 31, 2017 is set out below:

Number	Exercise price	Expiry date
3,200,000	$ 0.10	December 2, 2017
2,800,000	$ 0.10	December 2, 2017
17,000,000	$ 0.10	October 29, 2017
2,161,880	$ 0.13	October 29, 2017
6,300,000	$ 0.18	June 29, 2018
31,461,880		

8. Share Capital (continued)

c) Share Purchase Warrants (continued)

(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 granted a one-year extension of these warrants to November 16, 2016. In January 2016, the Company granted an 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	l year	2 years	2 years
Volatility	81%	69%	101%

On January 9, 2017 Company issued 250,000 common shares at $0.10 per share pursuant to the exercise of these share purchase warrants.

(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 granted an 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	1 year	2 years
Volatility	81%	69%

8. Share Capital (continued)

c) Share Purchase Warrants (continued)

(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 common 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%

(iv) On June 29, 2016, the Company completed a non-brokered private placement, consisting of the issue of 12,800,000 units at a price of $0.125 per unit for gross proceeds of $1,600,000. Each Unit consists of one common share of the Company and one half common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.18 for a period of two years from the date of issuance.

The weighted average fair market value of warrants granted was $ 0.049. 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, 2016
Risk-free interest rate	0.48%
Forfeiture rate	0.00%
Expected life of warrants	2 years
Volatility	87.62%

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, 2017, 9,236,500 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.

8. Share Capital (continued)

c) Stock Options (continued)

Outstanding and exercisable

	March 31, 2017 Number of Options		**March 31, 2017** Weighted Average Exercise Price	December 31, 2016 Number of Options		December 31, 2016 Weighted Average Exercise Price
Balance, beginning of period	**9,236,500**	**$**	**0.12**	8,356,500	$	0.11
Granted	**-**		**-**	2,330,000	$	0.14
Expired	**-**		**-**	(1,000,000)	$	0.10
Exercised	**-**		**-**	(450,000)	$	0.12
Balance, end of period	**9,236,500**	**$**	**0.12**	9,236,500	$	0.11

March 31, 2017	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.10	3,706,500	2.04	$ 0.10	3,706,500	$ 0.10
$0.13 - $0.15	5,530,000	3.73	$ 0.14	5,530,000	$ 0.14
	9,236,500	3.32	$ 0.12	9,236,500	$ 0.12

During the period ended March 31, 2017, the Company granted Nil options (December 31, 2016 - 2,330,000). Total compensation expense recorded in respect of these options was $Nil (December 31, 2016 - $247,385). The weighted average fair market value of options granted in the period was $Nil (2016 - $0.08) per option. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2016
Risk-free interest rate	0.63%
Forfeiture rate	2.00%
Expected life of options	5 years
Volatility	96.77%
Dividend yield rate	0%
Share price	$0.15

9. 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, 2017, the Company's capital as defined above was as follows:

	March 31, 2017	December 31, 2016
Working capital balances included:		
Cash and cash equivalents	**$ 5,474,320**	$ 1,944,420
Restricted cash	**300,000**	300,000
Payables and accruals	**(401,500)**	(357,900)
	$ 5,425,500	$ 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, 2017	Three months ended March 31, 2016
Net loss from continuing operations	**$ (739,630)**	$ (318,320)
Weighted average number of shares	**102,181,877**	89,540,845
Basic loss per share from continuing operations	**$ (0.01)**	$ (0.004)
Net loss from discontinued operations	**$ (39,255)**	$ (41,465)
Weighted average number of shares	**102,181,877**	89,540,845
Basic loss per share from discontinued operations	**$ (0.00)**	$ (0.00)
Net loss	**$ (778,885)**	$ (359,785)
Weighted average number of shares	**102,181,877**	89,540,845
Basic loss per share	**$ (0.01)**	$ (0.004)

In calculating diluted common share amounts for the period ended March 31, 2017, the Company excluded Nil (March 31, 2016 – 8,356,500) options and Nil warrants (March 31, 2016 - 25,961,880), 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, 2017	Three months ended March 31, 2016
Executive officers – salaries	**$ 185,000**	$ 130,000
Executive officers and directors – consulting fees	**7,500**	6,900
Director's Fees	**12,000**	-
Royalty incentive program	**5,165**	1,370
	$ 221,665	$ 138,270

At March 31, 2017, $17,165 (December 31, 2016 – $26,980) of the above amounts were included in payables and accruals.

Also included in receivables at March 31, 2017 is $377,880 (December 31, 2016 - $164,810) 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, 2017

	Canada	**Mexico**	**Total**
Interest income	$ 2,430	$ -	$ 2,430
Foreign exchange gain (loss)	1,205	1,075	2,280
	3,635	1,075	4,710
Expenses			
General and administration	457,985	6,860	464,845
Pre exploration costs	-	63,000	63,000
Depreciation	375	-	375
Loss on equity investment	-	216,120	216,120
	458,360	285,980	744,340
Net loss and comprehensive loss from continuing operations	(454,725)	(284,905)	(739,630)
Net loss from discontinued operations	(39,255)	-	(39,255)
Net loss and comprehensive loss	$ (493,980)	$ (284,905)	$ (778,885)

12. Segmented information (continued)

a) Earnings (Loss)

Three months ended March 31, 2016

	Canada	Mexico	Total
Interest income	2,775		2,775
Foreign exchange gain (loss)	(19,425)	-	(19,425)
	(16,650)	-	(16,650)
Expenses			
General and administration	185,885	2,900	188,785
Pre exploration costs	10,430	53,440	63,870
Depletion and depreciation	2,465	-	2,465
Loss on equity investment	-	46,550	46,550
	198,780	102,890	301,670
Net loss and comprehensive loss from continuing operations	(215,430)	(102,890)	(318,320)
Net loss from discontinued operations	(41,465)	-	(41,465)
Net loss and comprehensive loss	$ (256,895)	$ (102,890)	$ (359,785)

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 TE Corporation. The investment is accounted for using the equity method.

The Company's investment in TE Corporation is as follows:

	March 31, 2017	December 31, 2016
Balance, beginning of year	**$ 365,780**	$ 139,785
Contributions	**332,765**	484,430
Share of losses for the year	**(216,120)**	(258,435)
Balance, end of year	**$ 482,425**	$ 365,780

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, 2016 – $300,000). The Company is contingently liable under the letter of credit for $300,000 (December 31, 2016 - $300,000). The deposit will be reduced by $1 for every $4 spent on qualified expenditures on the exploration license.

b) Effective December 1, 2016 the Company is party to an agreement to lease its new premises until June 29, 2019. The annual rent of the premises will consist of minimum rent plus occupancy costs. Minimum rent plus occupancy costs to the end of the lease is as follows:

2017	$ 36,750
2018	$ 49,000
2019	$ 25,000

c) On August 25, 2016, the Company's 50% owned Joint Venture met all of the terms and conditions and signed a license contract with the Mexico Comision Nacional de Hidrocarburos (CNH) for the Onshore Oil and Gas Development Block 24, Tecolutla, granting TE Corporation the right to develop and produce hydrocarbons. As required by the CNH, TE Corporation secured from a Mexican institution a US$1,764,100 performance bond toward the guarantee of performance of the minimum work programs. Upon completion of the minimum work program, the performance bond will be returned. TE Corporation is required to fulfil the Minimum Work Program by performing any combination of tasks to earn 4,600 Work Units. TE Corporation intends to drill one well to earn 4,000 Work Units and conduct a work-over and a combination of other activities, if required, to earn up to 600 Work Units to satisfy the Minimum work requirement under the License Contract. The Company's 50% share of these activities has been budgeted as CAD $2.6M. In addition, the Company has guaranteed its share of the performance bond secured by TE Corporation (see Note 20 (b)).

d) The Company has established a Royalty Incentive Agreement for certain 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, 2017, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson property. Costs of $5,165 (2016 - $1,370) 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, 2017	Three months ended March 31, 2016
Receivables	$ (225,420)	$ 156,010
Prepaids	(93,850)	(85,850)
Payables and accruals	(9,080)	(30,175)
	$ (328,350)	$ 39,985
Operating activities	$ (328,350)	$ 39,985
	$ (328,350)	$ 39,985
v		
Taxes paid	$ -	$ -
Interest paid	$ -	$ -
Cash and cash equivalents are comprised of:		
Cash	$ 4,356,010	$ 413,490
Cash on hand - Mexico	$ 12,810	$ 26,895
Short-term investments (bearing interest rates ranging from 0.70% - 0.75%)	1,105,500	1,500,000
	$ 5,474,320	$ 1,940,385

15. Discontinued Operations

In December 2016, the Company entered into a preliminary agreement to sell its 100% interest in its oil properties in south east Alberta, Canada. On April 14, 2017, the Company completed the sale for consideration of $1 and the reservation and granting to the Company of a 2.5% gross overriding royalty as pursuant to a Gross Overriding Royalty Agreement. The sale is subject to AER approval.

The Company's operations for the period ended March 31, 2017 and 2016 have been presented as discontinued operations in these financial statements.

A summary of discontinued operations is as follows:

	2017	2016
Oil revenues, net	$ 133,940	$ 36,270
Less: royalties	(28,245)	(10,290)
	105,695	25,980
Expenses		
Field operating costs	122,005	54,150
Accretion	3,400	3,300
Depletion and depreciation	19,545	9,995
Impairments	-	-
	144,950	67,445
Net loss from discontinued operations	$ (39,255)	$ (41,465)

15. Discontinued Operations (continued)

The Company's net non-current assets and liabilities held for sale at March 31, 2017 are as follows:

	March 31, 2017	December 31, 2016
Non current assets held for sale		
Receivables	**$ 45,145**	$ 15,440
Petroleum and natural gas properties	**467,165**	486,710
	512,310	502,150
Non current liabilities held for sale		
Payables and accruals	**(22,960)**	(100,820)
Decommissioning liabilities	**(1,197,760)**	(1,202,685)
	(1,220,720)	(1,303,425)
Net non current liabilities held for sale	**$ (708,410)**	$ (801,275)

16. 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, 2017, 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, 2017:

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 420,030	$ 57,360	$ 54,055	$ 136,845	$ 171,770

16. Financial Instruments (continued)

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 the period ended March 31, 2017, there was no allowance for doubtful accounts recorded, as all amounts outstanding at March 31, 2017 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, 2017, the Company's allowance for doubtful accounts balance was $Nil (March 31, 2016 – $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

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, 2017, the carrying amount of the Company's Mexican Pesos denominated net monetary assets was approximately $156,000 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, 2017 would have affected the value of such balances by approximately $1,800 CAD.

At March 31, 2017, the carrying amount of the Company's U.S. Dollar denominated monetary assets was approximately $25,000 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, 2017 would have affected the value of such balances by approximately $200CAD.

16. Financial Instruments (continued)

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

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, 2017, cash and cash equivalents and restricted cash on deposit have been classified as Level 1.

17. Subsequent events

In April 2017 the Company terminated its Royalty Incentive Program and the participants of the Company's Royalty Incentive Program agreed to surrender and cancel any and all Royalty Units held.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.