International Frontier Resources Corporation

Interim Financial Statements

For the Three Month Periods Ended
March 31, 2018 and 2017

Contents

International Frontier Resources Corporation

Condensed Consolidated Interim Financial Statements

For the three month periods ended March 31, 2018 and 2017

(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, 2018 and 2017 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

As at:	March 31, 2018	December 31, 2017
Assets		
Current		
Cash and cash equivalents (Note 15)	**$ 2,805,445**	$ 5,640,735
Accounts receivable	**561,980**	318,940
Prepaids and deposits	**56,310**	83,215
	3,423,735	6,042,890
Restricted cash on deposit	**300,000**	300,000
Investment in TE Corporation (Note 13)	**3,370,895**	1,293,930
Exploration and evaluation assets (Note 6)	**5,569,785**	5,569,785
Property, plant and equipment (Note 7)	**4,700**	4,985
	$ 12,669,115	$ 13,211,590
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 410,820**	$ 359,030
Shareholders' Equity		
Share capital (Note 8a)	**52,985,415**	52,895,985
Contributed surplus (Note 8b)	**12,174,000**	12,048,430
Deficit	**(52,901,120)**	(52,091,855)
	12,258,295	12,852,650
	$ 12,669,115	$ 13,211,590

Commitments and contingencies (Note 14)

On behalf of the Board

(Signed) "Ignacio Quesada" Director **(Signed) "Gary Lyons"** Director

See accompanying notes to the consolidated financial statements

International Frontier Resources Corporation

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

For the three months ended March 31,	**2018**	2017
Expenses		
General and administration	**391,585**	464,485
Pre exploration costs	**74,155**	63,000
Depreciation (Note 7)`	**285**	375
Share based compensation	**161,355**	-
Loss on equity investment (Note 13)	**240,550**	216,120
	867,930	744,340
Finance income and expenses		
Interest income	**2,590**	2,430
Foreign exchange gain (loss)	**56,075**	2,280
	58,665	4,710
Net loss and comprehensive loss from continuing operations	**$ (809,265)**	$ (739,630)
Net loss from discontinued operations (Note 5)	**-**	(39,255)
Net loss and comprehensive loss	**$ (809,265)**	$ (778,885)

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

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

International Frontier Resources Corporation

Consolidated Statements of Changes in Equity

March 31, 2018

As at:	March 31, 2018		March 31, 2017	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	144,395,885	$ 52,895,985	100,690,845	$ 44,854,935
Shares issued for cash	-	-	18,068,160	5,059,085
Shares issued on exercise of options (Note 8)	356,500	65,160	-	-
Shares issued on exercise of warrants (Note 8)	100,000	18,000	250,000	33,650
Value of warrants (Note 8)	-	6,270	-	-
Share subscriptions receivable	-	-	-	(43,500)
Share Issue costs		-		(167,670)
Balance, end of period	144,852,385	$ 52,985,415	119,009,005	$ 49,736,500
Contributed surplus				
Balance, beginning of period		$ 12,048,430		$ 12,482,395
Share based compensation expense (Note 8)		161,355		-
Exercise of warrants (Note 8)		(6,270)		(8,650)
Exercise of stock options (Note 8)		(29,515)		-
Balance, end of period		$ 12,174,000		$ 12,473,745
Deficit				
Balance beginning of period		$ (52,091,855)		$ (48,709,100)
Net loss for the period		(809,265)		(778,885)
Deficit end of period		$ (52,901,120)		$ (49,487,985)

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,	2018	2017
Operating		
Net loss from continuing operations	$ (809,265)	$ (739,630)
Non Cash Items:		
Depletion and depreciation	285	375
Share based compensation (Note 8d)	161,355	-
Loss on equity investment (Note 13)	240,550	216,120
	(408,080)	(523,135)
Change in working capital (Note 15)	(164,350)	(328,350)
Cash flow from continuing operations	(571,425)	(841,485)
Cash flow from discontinued operations	-	(137,465)
	(571,425)	(988,950)
Investing		
Additions to exploration and evaluation assets (Note 6)	-	(21,310)
Investment in TE Corporation (Note 13)	(2,317,515)	(332,765)
Cash flow from continuing investing activities	(2,317,515)	(354,075)
Financing		
Units issued for cash	-	5,059,085
Exercise of warrants (Note 8)	18,000	25,000
Exercise of options (Note 8)	35,650	-
Share subscription receivable	-	(43,500)
Share issuance costs	-	(167,660)
Cash flow from continuing financing activities	53,650	4,872,925
Net decrease in cash and cash equivalents	(2,835,290)	3,529,900
Cash and cash equivalents (Note 15)		
Beginning of period	5,640,735	1,944,420
End of period	$ 2,805,445	$ 5,474,320

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, 2017.

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 Audit Committee of the Board of Directors on May 14, 2018, having been duly authorized to do so by the Board of Directors.

Basis of measurement

These financial statements have been prepared on a historical cost basis, unless otherwise required.

The Company’s condensed consolidated interim financial statements include accounts of the Company and its subsidiaries and are expressed in Canadian Dollars, unless otherwise stated.

2. Basis of preparation and statement of compliance (continued)

Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian Dollars which is the Company's reporting currency. The Company's subsidiaries transact in currencies that other than the Canadian Dollar and have a functional currency of Mexican Peso. The functional currency of a subsidiary is the currency of the primary economic environment in which the subsidiary operates. Transactions denominated in a currency other than the functional currency are translated at the prevailing rates on the date of the transaction. Any monetary items held in a currency which is not the functional currency of the subsidiary are translated to the functional currency at the prevailing rate as at the date of the statement of financial position. All exchange differences arising as a result of the translation to the functional currency of the subsidiary are recorded in net earnings.

Translation of all assets and liabilities form the respective functional currencies to the reporting currency are performed using the rates prevailing at the statement of financial position date. The differences arising upon translation from the functional currency to the reporting currency are recorded as currency translation adjustments in other comprehensive income (loss) and are held within accumulated other comprehensive income (loss) until a disposal or partial disposal of a subsidiary. A disposal or partial disposal with then give rise to realized foreign exchange gain or loss which is recorded in net earnings.

Significant Accounting Judgments, Estimates and Assumptions

The timely preparation of the financial statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

- Amounts recorded for depletion, depreciation and impairment expense, accretion expense, decommissioning liabilities, fair value measurements, and amounts used in impairment tests for exploration and evaluation assets, and property, plant and equipment are based on estimates. These estimates include petroleum and natural gas reserves, future petroleum and natural gas prices, future interest rates and future costs required to develop those reserves as well as other fair value assumptions.

2. Basis of preparation and statement of compliance (continued)

- The total decommissioning liabilities is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years, based on current legal and constructive requirements and technology. The estimated obligations and actual costs may change significantly due to changes in regulations, technology, timing of the expenditure, and the discount rates used to determine the net present value of the obligations.

- The Company uses the Black-Scholes option pricing model in determining share-based compensation expense, which requires a number of assumptions to be made, including the risk-free interest rate, expected life of options and warrants, forfeiture rate, and expected share price volatility. Consequently, the actual share-based compensation expense may vary from the amount estimated.

- In determining the type of joint arrangement as either a joint operation or a joint venture is based on management's determination of whether it has joint control over another entity and considerations include assessment of contractual agreements for unanimous consent of the parties on decision making of relevant activities. Once classified as a joint arrangement, management assesses whether it is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity the direct right to the assets and obligations for the liabilities within the normal course of business, as well as the entity's rights to the economic benefit of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

- Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters.

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, 2017, 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, 2017.

4. New Accounting Policies (continued)

Change in accounting policies

On January 1, 2018, 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.

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.

The Company has implemented IFRS 9 and has determined that the measurement of financial instruments does not have a material impact on the disclosures in the financial statements.

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.

The Company has determined that IFRS 15 will not affect the current financial statements as the Company currently does not have any revenue contracts.

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.

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.

The Company is examining the impact of this standard on its consolidated financial statements.

5. 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 conditional 2.5% gross overriding royalty as pursuant to a Gross Overriding Royalty Agreement.

At March 31, 2018 the conditions for the conditional gross overriding royalty have not been met and no amounts have been accrued or are owing with respect to the Gross Overriding Royalty Agreement.

The Company's operations for the period ended March 31, 2017 have been presented as discontinued operations in these financial statements. A summary of discontinued operations is as follows:

	Three months ended March 31, 2017
Oil revenues, net	$ 133,940
Less: royalties	(28,245)
	105,695
Expenses	
Field operating costs	122,005
Accretion	3,400
Depletion and depreciation	19,545
Impairments	-
	144,950
Net loss from discontinued operations	$ (39,255)

6. Exploration and evaluation assets

As at March 31, 2018, 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, as at December 31, 2016		23,255,160		2,748,730		26,003,890
Additions		100,940		-		100,940
Balance at December 31, 2017	$	23,356,100	$	2,748,730	$	26,104,830
Additions		-		-		-
Balance at March 31, 2018	**$**	**23,356,100**	**$**	**2,748,730**	**$**	**26,104,830**

Accumulated Impairment		**Canada**		**USA**		**Total**
Balance, as at December 31, 2016		(16,941,765)		(2,103,865)		(19,045,630)
Impairments		(844,550)		(644,865)		(1,489,415)
Balance at December 31, 2017	$	(17,786,315)	$	(2,748,730)	$	(20,535,045)
Impairments		-		-		-
Balance at March 31, 2018	**$**	**(17,786,315)**	**$**	**(2,748,730)**	**$**	**(20,535,045)**

Carrying Value						
Balance at December 31, 2017	$	5,569,785	$	-	$	5,569,785
Balance at March 31, 2018	$	5,569,785	$	-	$	5,569,785

As at March 31, 2018, 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, 2017 - $844,450) with respect to its properties in the Northwest Territories and $Nil (December 31, 2017 - $644,865) with respect to it's properties in Montana.

The impairment charge at December 31, 2017 of $1,489,415 is made up of

(i) $844,550 with respect to lease rentals paid to date on properties in the Northwest Territories as the Company plans to relinquish its remaining licenses.

(ii) $644,865 with respect to the remaining net book value of its properties in Montana as there has been no activity in the area and the Company does not have any plans for further development.

7. Property, plant and equipment

Cost	Office furniture and equipment	Carrying Amount
Balance at December 31, 2016,	$ 137,570	$ 137,570
Additions	-	-
Balance at December 31, 2017	137,570	137,570
Additions	-	-
Balance at March 31, 2018	**$ 137,570**	**$ 137,570**
Depletion and depreciation		
Balance at December 31, 2016	$ (131,020)	$ (131,020)
Depletion and depreciation	(1,565)	(1,565)
Balance at December 31, 2017	(132,585)	$ (132,585)
Depletion and depreciation	(285)	(285)
Balance at March 31, 2018	**$ (132,870)**	**$ (132,870)**
Carrying Value		
Balance at December 31, 2017	$ 4,985	$ 4,985
Balance at March 31, 2018	$ 4,700	$ 4,700

8. Share Capital

a) Authorized:

Unlimited common shares, Unlimited preferred shares

	Number of Shares	Issue Price	Amount
Balance at December 31, 2016	**100,690,845**		**$44,854,935**
Shares issued via private placement (Note 8a)(i))	18,068,160	$0.28	5,059,085
Shares issued via exercise of warrants	23,050,000	$0.10	2,305,000
Shares issued via exercise of warrants	2,161,880	$0.13	281,045
Shares issued via exercise of warrants	100,000	$0.18	18,000
Contributed surplus transferred on exercise of warrants			497,590
Shares issued via exercise of stock options	325,000	$0.112	36,500
Contributed surplus transferred on exercise of stock options			27,000
Share issue costs			(195,670)
Share subscriptions collected			56,000
Share subscriptions receivable			(43,500)
Balance at December 31, 2017	144,395,885		$52,895,985
Shares issued via exercise of warrants	100,000	$0.18	18,000
Contributed surplus transferred on exercise of warrants			6,270
Shares issued via exercise of stock options	356,500	$0.10	35,650
Contributed surplus transferred on exercise of stock options			29,510
Balance at March 31, 2018	**144,852,385**		**$52,985,415**

8. Share Capital (continued)

(i) 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, 2018	December 31, 2017
Balance, beginning of year	$ **12,048,430**	$ 12,482,395
Stock options granted	**161,355**	90,625
Exercise of stock options	**(29,515)**	(27,000)
Exercise of warrants	**(6,270)**	(497,590)
Balance, end of year	**$ 12,174,000**	$ 12,048,430

c) Share Purchase Warrants

	March 31, 2018		December 31, 2017	
	Number of Warrants	**Amount**	Number of Warrants	Amount
Balance, beginning of year (i), (ii)	**6,200,000**	**$ 388,660**	31,711,880	$ 886,250
Expired (iii)	**-**	**-**	(200,000)	(6,870)
Exercised (i, ii, iii, iv)	**(100,000)**	**(6,270)**	(25,311,880)	(490,720)
Balance, end of year	**6,100,000**	**$ 382,390**	6,200,000	$ 388,660

March 31, 2018	Warrants Outstanding			Warrants Exercisable	
Exercise Price	Warrants Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercisable Price
$0.18	6,100,000	0.21	$ 0.18	6,100,000	$ 0.18

A summary of the above purchase warrants outstanding at March 31, 2018 is set out below:

Number	**Exercise price**	**Expiry date**
6,100,000	$ 0.18	June 29, 2018

8. Share Capital (continued)

c) Share Purchase Warrants (continued)

(i) 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 $ 0.0623. 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%

In Q1, 2018 the Company issued 100,000 common shares at $0.18 per share (2017 - 100,000 common shares at $0.18 per share) pursuant to the exercise of these share purchase warrants .

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, 2018, 13,430,000 common shares were reserved for issuance under the plan. Options granted under the plan vest upon granting and have a term of five years to expiry.

Outstanding and exercisable

	March 31, 2018			December 31, 2017		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	**13,786,500**	**$**	**0.16**	9,236,500	$	0.12
Granted	**-**		**-**	4,875,000	$	0.22
Exercised	**(356,500)**		**0.10**	(325,000)	$	0.08
Balance, end of year	**13,430,000**	**$**	**0.16**	13,786,500	$	0.16

8. Share Capital (continued)

d) Stock options (continued)

March 31, 2018	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	3,125,000	0.97	$ 0.10	3,125,000	$ 0.10
$0.13 - $0.15	5,430,000	2.73	$ 0.14	5,430,000	$ 0.14
$0.22	4,875,000	4.68	$ 0.22	4,875,000	$ 0.22
	13,430,000	1.44	$ 0.16	13,430,000	$ 0.16

During the year ended December 31, 2017, the Company granted 4,875,000 options (December 31, 2016 - 2,330,000). The weighted average fair market value of options granted in the period was $0.19 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, 2017	December 31, 2016
Risk-free interest rate	1.77%	0.63%
Forfeiture rate	2.00%	2.00%
Expected life of options	5 years	5 years
Volatility	133.44%	96.77%
Dividend yield rate	0%	0%
Share price	$ 0.22	$ 0.15

Total compensation expense recorded in respect of these options at March 31, 2018 was $161,355 (December 31, 2017 - $90,625).

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, 2018, the Company's capital as defined above is as follows:

	March 31, 2018	December 31, 2017
Working capital balances included:		
Cash and cash equivalents	**$ 2,805,445**	$ 5,640,735
Restricted cash	**300,000**	300,000
Accounts receivable	**561,980**	318,940
Accounts payables and accrued liabilities	**(410,820)**	(359,030)
	$ 3,256,605	$ 5,900,645

9. Capital Disclosures (continued)

The Company is in the business of oil and gas exploration in Mexico, the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada, and in north-west Montana in 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 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 if management feels there is sufficient geologic or economic potential.

Historically, the Company has relied on proceeds from the sale of its common shares to fund its operations. In order to accelerate the Company's current exploration programs, the Company may require additional capital. The timing, pace, scope and amount of the Company's capital expenditures is largely dependent on the operators' capital expenditure programs and the availability of capital to the Company.

The Company may obtain funds for future capital investments from strategic alliances with other energy or financial partners, the issuance of additional common shares, preferred shares or debt securities, project financing, sale of property interests, or other arrangements, all of which may dilute the interest of the Company's existing shareholders. In the current economic environment, there can be no assurances that the Company can raise capital through the sale of its shares.

10. Per share

	Three months ended March 31, 2018	Three months ended March 31, 2017
Net loss from continuing operations	**$ (809,265)**	$ (739,630)
Weighted average number of shares	**144,473,517**	102,181,877
Basic loss per share from continuing operations	**$ (0.01)**	$ (0.01)
Net loss from discontinued operations	**$ -**	$ (39,255)
Weighted average number of shares	**144,473,517**	102,181,877
Basic loss per share from discontinued operations	**$ (0.00)**	$ (0.00)
Net loss	**$ (809,265)**	$ (778,885)
Weighted average number of shares	**144,473,517**	102,181,877
Basic loss per share	**$ (0.01)**	$ (0.01)

The Company has dilutive instruments outstanding, which consist of stock options and warrants. The dilutive impact of these instruments using the treasury stock method results in anti-dilution as a result of the Company incurring losses during the years presented. As a result, diluted loss per share and the impact of these instruments on the weighted average number of shares outstanding is not presented in the financial statements.

11. Related party transactions

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Executive officers – salaries	**$ 152,000**	$ 192,500
Stock based compensation	**119,715**	-
Director's Fees	**12,000**	12,000
Royalty incentive program	**-**	5,165
	$ 283,715	$ 138,270

At March 31, 2018, $12,000 (December 31, 2017 – $12,000) of the above amounts were included in payables and accruals.

Also included in receivables at March 31, 2018 is $487,350 (December 31, 2017 - $238,740) 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, 2018	**Canada**	**Mexico**	**Total**
Expenses			
General and administration	$ 391,480	$ 110	$ 391,590
Pre exploration costs	4,865	69,290	74,155
Depletion and depreciation	285	-	285
Share based compensation	161,350	-	161,350
Loss on equity investment	-	240,550	240,550
	557,980	309,950	867,930
Finance income and expenses			
Interest income	2,590	-	2,590
Foreign exchange gain (loss)	115,165	(59,090)	56,075
	117,775	59,090	58,665
Net loss and comprehensive loss	$ (440,225)	$ (369,040)	$ (809,265)

12. Segmented information (continued)

Three months ended March 31, 2017

	Canada	Mexico	Total
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
Finance income			
Interest income	2,430	-	2,430
Foreign exchange gain (loss)	1,205	1,075	2,280
	3,635	1,075	4,710
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)

13. Investment in Associate

In Q1, 2018 the Company, through its Mexican subsidiary Petro Frontera S.A.P.I de CV (Frontera) has 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, 2018	December 31, 2017
Balance, beginning of year	**$ 1,293,930**	$ 365,780
Contributions	**2,317,515**	1,597,450
Share of losses for the year	**(240,550)**	(669,300)
Balance, end of year	**$ 3,370,895**	$ 1,293,930

The Company periodically assesses its investments to determine whether there is any indication of impairment. When there is an indication of impairment, An impairment loss in respect of an equity-method accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss and is reversed if there is a favorable change in the estimates used to determine the recoverable amount.

13. Investment in Associate (continued)

	March 31, 2018	December 31, 2017
Cash	$ 4,606,639	$ 1,076,750
Current assets	657,140	315,620
Non-current assets	2,615,960	1,996,270
Current liabilities	6,134,040	894,635

	Three months ended March 31, 2018	Three months ended March 31, 2017
Interest income	$ 29,720	$ -
Operating and administrative expenses	506,850	431,720
Depreciation	3,970	520
Total expenses	510,820	432,240
Loss and comprehensive operating loss	$ (481,100)	$ (432,240)

14. 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, 2017 – $300,000). The Company is contingently liable under the letter of credit for $300,000 (December 31, 2017 - $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:

2018	$ 36,750
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 $2.6 million. In addition, In 2017, the Company announced the closing of an Account Performance Security Guarantee (APSG) facility of US $882,050 with Export Development Canada ("EDC"). The APSG facility ("Guarantee Facility") is provided as 50% of a performance bond issued by the Company's 50% owned joint venture company TE Corporation.

15. Supplemental cash flow information

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Receivables	**$ (243,040)**	$ (225,420)
Prepaids	**26,900**	(93,850)
Payables and accruals	**51,790**	(9,080)
	$ (164,450)	$ (328,350)
Operating activities	**$ (164,450)**	$ (328,350)
	$ (164,450)	$ (328,350)
Taxes paid	**$ -**	$ -
Interest paid	**$ -**	$ -
Cash and cash equivalents are comprised of:		
Cash	**$ 1,408,585**	$ 4,356,010
Cash on hand - Mexico	**1,396,860**	$ 12,810
Short-term investments (bearing interest rates ranging from 0.70% - 0.75%)	**-**	1,105,500
	$ 2,805,445	$ 5,474,320

16. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, restricted cash on deposit, accounts receivable, and accounts payable and accrued liabilities. 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.

Substantially all of the receivables with joint venture partners in the oil and gas industry are subject to normal industry credit risks. Management does not believe that there is significant credit risk arising from any of the Company's customers or partners, as substantially all amounts outstanding at March 31, 2018 have been received subsequent to year end. The maximum exposure to loss arising from accounts receivable at any given time is equal to their total carrying amounts on the balance sheet.

The following table presents the aging of the Company's accounts receivable at March 31, 2018.

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 561,980	$ 123,700	$ 113,215	$ 79,975	$ 245,090

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 year ended March 31, 2018, there was no allowance for doubtful accounts recorded, as all amounts outstanding at March 31, 2018 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, 2018, the Company's allowance for doubtful accounts balance was $Nil (December 31, 2017 – $Nil).

16. Financial Instruments (continued)

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, 2018, 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 risk.

c) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company has financial instruments denominated in US dollars and Mexican pesos. The Company's management monitors the exchange rate fluctuations on a regular basis. The Company does not use currency derivative instruments to manage the Company's exposure to foreign currency fluctuations.

At March 31, 2018, the carrying amount of the Company's Mexican Pesos denominated net monetary assets was approximately $19,791,150 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, 2018 would have affected the value of such balances by approximately $197,910 CAD.

At March 31, 2018, the carrying amount of the Company's U.S. Dollar denominated monetary assets was approximately US $146,320. 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, 2018 would have affected the value of such balances by approximately $1,465 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.

16. Financial Instruments (continued)

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 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.

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, 2018 and December 31, 2017 cash and cash equivalents and restricted cash on deposit have been classified as Level 1.