



**International Frontier Resources Corporation**

**Interim Financial Statements**

**For the Three Month Periods Ended  
March 31, 2020 and 2019**

## Contents

	<b><u>Page</u></b>
National Instrument 51-102 Notice	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss	5
Condensed Consolidated Interim Statements of Changes in Equity	6
Condensed Consolidated Interim Statements of Cash Flows	7
Notes to the Consolidated Interim Financial Statements	8-22

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**International Frontier Resources Corporation**  
**Condensed Consolidated Interim Financial Statements**  
For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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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, 2020 and 2019 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.

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## International Frontier Resources Corporation

### Consolidated Balance Sheets

As at:	March 31, 2020	December 31, 2019
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 13)	\$ 413,730	\$ 95,050
Accounts receivable	31,615	25,180
Prepays and deposits	60,840	32,755
	506,185	152,985
Tonalli purchase option (Note 11)	45,000	45,000
Shareholder loans (Note 11)	2,602,830	2,262,935
Investment in associates (Note 11)	3,255,025	3,598,815
Property, plant and equipment (Note 5)	2,980	3,295
	\$ 6,412,020	\$ 6,063,030
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 579,400	\$ 748,900
<b>Shareholders' Equity</b>		
Share capital (Note 6a)	57,294,860	56,618,810
Contributed surplus (Note 6b)	12,577,850	12,511,795
Deficit	(64,040,090)	(63,816,475)
	5,832,620	5,314,130
	\$ 6,412,020	\$ 6,063,030

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Going concern (Note 2)  
Commitments and contingencies (Note 12)

On behalf of the Board of Directors

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

See accompanying notes to the consolidated financial statements.

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**International Frontier Resources Corporation**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**

For the three months ended March 31,	2020	2019
<b>Expenses</b>		
General and administration	\$ 131,830	\$ 180,570
Pre-exploration costs	20,695	63,000
Depreciation (Note 5)	315	215
Share based compensation (Note 6b)	66,055	50,315
Loss on equity investment (Note 11)	<u>343,790</u>	<u>244,400</u>
	<b>562,685</b>	<b>538,500</b>
<b>Finance income and expenses</b>		
Interest income	30,130	55,530
Foreign exchange gain (loss)	<u>308,940</u>	<u>(105,990)</u>
	<b>339,070</b>	<b>(50,460)</b>
<b>Net loss and comprehensive loss</b>	<b><u>\$ (223,615)</u></b>	<b><u>\$ (588,960)</u></b>
<b>Net loss per share</b> (Note 8)		
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

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See accompanying notes to the consolidated financial statements.

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## International Frontier Resources Corporation

### Consolidated Statements of Changes in Shareholders' Equity

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	March 31, 2020		March 31, 2019	
	Number	Amount	Number	Amount
<b>Common shares</b>				
Balance, beginning of period	173,851,385	\$56,618,810	152,072,385	\$ 54,619,440
Shares issued for cash (Note 6a)	69,540,554	690,405		-
Share Issue costs (Note 6a)		(14,355)		-
Balance, end of period	<u>243,391,939</u>	<u>\$ 57,294,860</u>	<u>152,072,385</u>	<u>\$ 54,619,440</u>
<b>Contributed surplus</b>				
Balance, beginning of period		\$12,511,795		\$ 12,204,285
Share based compensation expense (Note 6b)		66,055		50,315
Balance, end of period		<u>\$ 12,577,850</u>		<u>\$ 12,254,600</u>
<b>Deficit</b>				
Balance beginning of period		\$(63,816,475)		\$(60,932,615)
Net loss for the year		(223,615)		(588,960)
Balance, end of period		<u>\$(64,040,090)</u>		<u>\$(61,521,575)</u>
<b>Total shareholder's equity</b>		<u>\$ 5,832,620</u>		<u>\$ 5,352,465</u>

See accompanying notes to the consolidated financial statements.

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**International Frontier Resources Corporation**  
**Condensed Consolidated Interim Statements of Cash Flows**

For the three months ended March 31, 2020 2019

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**Operating**

Net loss	\$ (223,615)	\$ (588,960)
Non-cash items:		
Depreciation	315	215
Share based compensation (Note 6b)	66,055	50,315
Forfeiture of EL 495	-	300,000
Loss on equity investment (Note 11)	343,790	244,400
Unrealized foreign exchange loss	-	95,855
Change in non-cash working capital (Note 13)	<u>(204,020)</u>	<u>(149,720)</u>
Cash flow used in operations	<b>(17,475)</b>	<b>(47,895)</b>

**Investing**

Shareholder loan (Note 11)	-	(270,070)
Change in non-cash investing capital (Note 13)	<u>(339,895)</u>	<u>(62,770)</u>
Cash flow used in investing activities	<b>(339,895)</b>	<b>(332,840)</b>

**Financing**

Shares issued for cash (Note 6a)	690,405	-
Share issuance costs (Note 6a)	<u>(14,355)</u>	<u>-</u>
Cash flow from financing activities	<b>676,050</b>	<b>-</b>

Net change in cash and cash equivalents 318,680 (380,735)

Cash and cash equivalents

Beginning of period	<u>95,050</u>	<u>425,030</u>
End of period	<u><b>\$ 413,730</b></u>	<u><b>\$ 44,295</b></u>

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Supplemental cash flow information (Note 13)

See accompanying notes to the consolidated financial statements.

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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### 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 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 1805, 222 3<sup>rd</sup> 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% investments in Tonalli Energia S.A.P.I. de CV ("Tonalli"), and Energia Mex Can ("Mexcan"), Mexican companies which are accounted for using the equity method.

### 2. Basis of preparation and statement of compliance

#### Statement of compliance

The condensed consolidated interim financial statements (the "financial statements") have been prepared by management and reported in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These 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, 2019.

These financial statements were approved and authorized for issue by the Board of Directors on May 27, 2020.

#### Basis of measurement

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

The Company's financial statements include the accounts of the Company and its subsidiary and are expressed in Canadian dollars, unless otherwise stated.

#### Going concern

These financial statements have been prepared by management on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company had a net loss of \$223,615 and cash flows used in operations of \$17,475 for the period ended March 31, 2020, and a working capital deficit of \$73,215 as at March 31, 2020.



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**International Frontier Resources Corporation**  
**Notes to the Consolidated Financial Statements**  
For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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

In early March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices and currency exchange rates, and a marked decline in long-term interest rates. As a result, oil and gas companies are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements. These factors are likely to have a negative impact on the Company's ability to raise equity, if required, in the near future or on terms favorable to the Company. Impairment indicators for Tonalli's oil and gas properties could exist in future periods, if current conditions persist. The potential impact that COVID-19 will have on our business or financial results cannot be reasonably estimated at this time. However, any shutdowns requested or mandated by local or foreign government authorities in response to the outbreak of COVID-19 may have a material impact to the Company's planned operating activities.

Subsequent to March 31, 2020 oil prices have significantly declined, to levels where continued operations cannot be sustained at profitable levels. Operations within Tonalli were suspended until oil prices rise to profitable levels. There is no guarantee at this time as to if and when this will occur.

On January 17, 2020, the Company completed the previously announced rights offering. The Company issued 69,540,554 common shares of the Company at a price of \$0.01 per common share, raising total gross proceeds of \$695,406. Although the rights offering was successful and management has been successful in raising capital in the past, there is no assurance other raises of capital in the future will be successful.

On April 29, 2020 the Company received a \$40,000 with respect to the Canadian Emergency Business Account. The loan is interest free until December 31, 2022. If the loan is paid off by December 31, 2020, a quarter of the loan will be forgiven.

The Company's ability to continue as a going concern is dependent on the successful operations of Tonalli as well as management's ability to identify additional sources of capital and to raise sufficient resources to fund ongoing operating and development expenditures. There is no guarantee that the operations of Tonalli will be successful, or that additional sources of funding will be obtained.

These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

**Functional and presentation currency**

The 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.

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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

#### Significant accounting judgments, estimates and assumptions

Translation of all assets and liabilities from 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.

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 period in which the estimates are revised and in any future periods 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.
- 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.

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**International Frontier Resources Corporation**  
**Notes to the Consolidated Financial Statements**  
For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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

- The determination of 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, 2019, 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, 2019.

**4. Change in accounting policies**

The condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the consolidated financial statements for the fiscal year December 31, 2019.

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**International Frontier Resources Corporation**  
**Notes to the Consolidated Financial Statements**  
For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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**5. Property, plant and equipment**

Cost	Office furniture and equipment
Balance at December 31, 2019	\$ 137,570
Additions	-
<b>Balance at March 31, 2020</b>	<b>\$ 137,570</b>
<b>Depletion and depreciation</b>	
Balance at December 31, 2018	(132,585)
Depletion and depreciation	(645)
Balance at December 31, 2019	(134,275)
Depletion and depreciation	(315)
<b>Balance at March 31, 2020</b>	<b>\$ (134,590)</b>
<b>Carrying Value</b>	
Balance at December 31, 2019	\$ 3,295
<b>Balance at March 31, 2020</b>	<b>\$ 2,980</b>

**6. Share capital**

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

	Number of Shares	Amount
<b>Balance at December 31, 2018</b>	<b>152,072,385</b>	<b>\$54,619,440</b>
Shares issued via private placement (i)	21,779,000	2,069,005
Share purchase obligation (ii)		5,000
Shares issue costs		(74,635)
<b>Balance at December 31, 2019</b>	<b>173,851,385</b>	<b>\$56,618,810</b>
Shares issued via rights offering (ii)	69,540,554	695,405
Share purchase obligation (ii)		(5,000)
Shares issue costs		(14,355)
<b>Balance at March 31, 2020</b>	<b>243,391,939</b>	<b>\$57,294,860</b>

(i) On May 28, 2019, the Company closed a private placement for gross proceeds of \$2,069,005, (net \$2,005,950) which consisted of the issuance of 21,779,000 common shares at a price of \$0.095 per common share. All shares issued under the non-brokered placement are subject to a hold period of four months from the date of closing.

# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

### 6. Share capital (continued)

(ii) On January 17, 2020, the Company completed the previously announced rights offering. The Company issued 69,540,554 common shares of the Company at a price of \$0.01 per common share, raising total gross proceeds of \$695,406. Share issue costs of \$14,355 were incurred in the period. In December 2019 the Company received \$5,000 of cash consideration for the purchase of 500,000 common shares in advance of closing and the shares were issued on closing in January 2020.

#### b) Contributed surplus

	March 31, 2020	December 31, 2019
Balance, beginning of period	\$ 12,511,795	\$ 12,204,285
Share based compensation	66,055	307,510
Balance, end of period	\$ 12,577,850	\$ 12,511,795

#### c) 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, 2020, 14,525,000 common shares were reserved for issuance under the plan. Options granted under the plan vest within two years of the grant date and have a term of five years to expiry.

#### Outstanding and exercisable

	March 31 , 2020		December 31, 2019	
	Weighted	Average	Weighted	Average
	Number of	Exercise	Number of	Exercise
	<u>Options</u>	<u>Price</u>	<u>Options</u>	<u>Price</u>
Balance, beginning of period	14,525,000	\$ 0.13	10,900,000	\$ 0.17
Granted	-	-	7,250,000	0.08
Expired/cancelled	-	-	(3,625,000)	0.11
Balance, end of period	14,525,000	\$ 0.13	14,525,000	\$ 0.13

#### March 31, 2020

		<u>Options Outstanding</u>		<u>Options Exercisable</u>	
		Weighted	Weighted	Weighted	Weighted
Exercise Price	Options	Average	Average	Average	Average
	<u>Outstanding</u>	Contractual	Contractual	Contractual	Contractual
		Life (years)	Life (years)	Life (years)	Life (years)
			Price	Price	Price
\$0.08	7,100,000	4.20	\$ 0.08	400,000	\$ 0.08
\$0.13 - \$0.16	3,375,000	0.79	\$ 0.14	3,375,000	\$ 0.14
\$0.22	4,050,000	2.68	\$ 0.22	4,050,000	\$ 0.22
	14,525,000	3.07	\$ 0.13	7,825,000	\$ 0.13

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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#### 6. Share capital (continued)

During the year ended December 31, 2019, the Company granted 7,250,000 stock options, of which 150,000 options were cancelled and 250,000 vested immediately. The remaining 6,850,000 options vest over three years. The weighted average fair market value of options granted in the period was \$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:

	2019	2018
Risk-free interest rate	1.41%	2.20%
Forfeiture rate	2.00%	2.00%
Expected life of options	5 years	5 years
Volatility	122.25%	130.00%
Dividend yield rate	0%	0%
Share price	\$ 0.08	\$0.16

#### 7. Capital management

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, 2020, the Company's capital as defined above is as follows:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 413,730	\$ 95,050
Accounts receivable	31,615	25,180
Accounts payables and accrued liabilities	(579,400)	(748,900)
	\$ (134,055)	\$ (628,670)

The Company is in the business of oil and gas exploration in Mexico. 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 planned capital expenditure programs and the availability of capital to the Company.

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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### 7. Capital management (continued)

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.

In January 2020 the Company completed a right offering and received total gross proceeds of \$695,406 from issuance of 69,540,554 commons shares at a price of \$0.01 per share.

### 8. Per share amounts

	Three months ended <u>March 31, 2020</u>	Three months ended <u>March 31, 2019</u>
Net loss from continuing operations	\$ (223,615)	\$ (588,960)
Weighted average number of shares	<u>234,892,538</u>	<u>152,072,385</u>
Basic loss per share from continuing operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

### 9. Related party transactions

At March 31, 2020, \$238,800 (2019 – \$304,020) was included in accounts payable and accrued liabilities owing to related parties.

Included in accounts receivable at March 31, 2020 is \$799,240 representing amounts for reimbursement of overhead expenses owing from Tonalli, in which the Company's 99.80% owned Mexican subsidiary, Frontera, has a 50% shareholding. At December 31, 2019, these amounts were deemed uncollectible at this time and an expected credit loss in the amount of \$799,240 was recorded against this receivable.

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.

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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#### 10 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 resources.

##### a) Net loss and comprehensive loss

<u>Three months ended March 31, 2020</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 66,975	\$ 64,855	\$ 131,830
Pre exploration costs	20,695	-	20,695
Depletion and depreciation	315	-	315
Share based compensation	66,055	-	66,055
Loss on equity investment	-	343,790	343,790
	<u>154,040</u>	<u>408,645</u>	<u>562,685</u>
Finance income and expenses			
Interest income	-	30,130	30,130
Foreign exchange gain	5,605	303,335	308,940
	<u>5,605</u>	<u>333,465</u>	<u>339,070</u>
Net loss and comprehensive loss	<u>\$ (148,435)</u>	<u>\$ (75,180)</u>	<u>\$ (223,615)</u>
<u>Three months ended March 31, 2019</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 124,300	\$ 56,270	\$ 180,570
Pre exploration costs	-	63,000	63,000
Depreciation	215	-	215
Share based compensation	50,315	-	50,315
Loss on equity investments	-	244,400	244,400
	<u>174,830</u>	<u>363,670</u>	<u>538,500</u>
Finance income and expenses			
Interest income	1,500	54,030	55,530
Foreign exchange gain (loss)	(5,100)	(100,880)	(105,990)
	<u>(3,610)</u>	<u>(46,850)</u>	<u>(50,460)</u>
Net loss and comprehensive loss	<u>\$ (178,440)</u>	<u>\$ (410,520)</u>	<u>\$ (588,960)</u>



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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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#### 10. Segmented information (continued)

##### b) Assets

###### As at March 31, 2020

	<u>Canada</u>		<u>Mexico</u>		<u>Total</u>
Total assets	\$ 536,750	\$	5,875,270	\$	6,412,020

###### As at December 31, 2019

	<u>Canada</u>		<u>Mexico</u>		<u>Total</u>
Total assets	\$ 184,830	\$	5,878,200	\$	6,063,030

#### 11. Investment in associates

At March 31, 2020 The Company, through its Mexcan subsidiary Frontera's holds 50% investments in Tonalli Energia S.A.P.I. de CV ("Tonalli"), and Energia Mex Can ("Mexcan"), Mexican companies which are accounted for using the equity method.

The Company's investment in Tonalli and Mexcan are as follows:

<b>As at March 31, 2020</b>	<b><u>Tonalli</u></b>	<b><u>Mexcan</u></b>	<b><u>Total</u></b>
Balance, beginning of year	\$ 3,560,210	\$ 38,605	\$ 3,598,815
Contributions	-	-	-
Share of income (loss) for the year	(346,285)	2,495	(343,790)
<b>Balance, end of period</b>	<b>\$ 3,213,925</b>	<b>\$ 41,100</b>	<b>\$ 3,255,025</b>
<b>As at December 31, 2019</b>	<b><u>Tonalli</u></b>	<b><u>Mexcan</u></b>	<b><u>Total</u></b>
Balance, beginning of year	\$ 328,395	\$ 30,445	\$ 358,840
Contributions	3,117,120	-	3,117,120
Share of income (loss) for the year	(890,305)	8,160	(882,145)
Fair value adjustment of Tonalli loan	1,005,000	-	1,005,000
<b>Balance, end of year</b>	<b>\$ 3,560,210</b>	<b>\$ 38,605</b>	<b>\$ 3,598,815</b>

At March 31, 2020, Frontera has loaned \$3,039,565 CAD equivalent to Tonalli in the form of a shareholder loans pursuant to a shareholder loan agreement.

At December 31, 2019, \$3,117,120 of the outstanding shareholder loan balance of \$5,899,800 CAD equivalent was converted to common shares of Tonalli and as a result were recognized as a contribution to the Tonalli equity investment. Furthermore, on December 31, 2019 the Company amended all remaining shareholder loans (including interest accrued to date) in the amount of \$2,142,500 USD to bear interest at a rate of Libor plus 2.75% and extended the maturity date to December 31, 2024.

Interest accrued at March 31, 2020 was \$568,035 (December 31, 2019 - \$485,255) and has been included in shareholder loan at March 31, 2020 .

At March 31, 2020, the fair value of the shareholder loan is determined to be \$2,602,830 CAD. The difference of \$1,005,000 between the fair value of the shareholder loan and the loan balance is recorded as an increase in the Company's equity investment in Tonalli in 2019.

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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#### 11. Investment in associates (continued)

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.

#### Tonalli

##### Summarized financial information

As at	March 31, 2020	December 31, 2019
Cash	\$ 743,969	\$ 523,560
Other current assets	851,360	1,884,055
Oil and gas properties	12,707,310	12,755,605
Other non current assets	2,383,096	2,385,818
Total assets	16,685,735	17,549,038
Current liabilities - payables and accruals	4,521,429	5,178,987
Long term liabilities	10,669,723	12,187,372
Total liabilities	15,191,152	17,366,359

For the three months ended March 31,	2020	2019
Loss before income taxes	\$ (1,286,233)	\$ (497,100)

#### Mexcan

##### Summarized financial information

For the three months ended March 31,	2020	2019
Net income before taxes	\$ 4,990	\$ 33,965
Net income	\$ 4,990	\$ (17,135)

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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### 11. Investment in associates (continued)

On September 26, 2018 the Company entered into a share option agreement (the "Option Agreement") with its joint venture partner IDESA pursuant to which the Company's wholly-owned Mexican subsidiary Frontera was granted the option (the "Option") to purchase all of the outstanding shares in Tonalli held by IDESA. Currently, Frontera holds 50% of the outstanding shares of Tonalli with IDESA holding the remaining 50%.

Under the terms of the Option Agreement, Frontera has the right to acquire the outstanding shares of Tonalli held by IDESA prior to the expiry date of September 25, 2020 upon payment of the exercise price in the amount of 70,000,000 common shares of the Company less the number of the Company's shares issued to IDESA prior to the exercise as part of the future private placement as set out in the Option Agreement. Pursuant to the Option Agreement, IDESA has agreed to subscribe for the Company's shares in the aggregate amount of a minimum of CDN\$1,000,000 as part of a future private placement of the Company's shares to be completed by Company before March 25, 2019. Subsequent to the year ended December 31, 2018, it was agreed that the Option Agreement would be amended to extend the date of the subscription of shares and on April 22, 2019 IDESA participated in a private placement and was issued 10,714,500 shares for proceeds of CDN \$1,017,880.

The exercise of the Option is subject to certain customary closing conditions, as well as the approval of the TSX Venture Exchange and the National Hydrocarbons Commission of Mexico. The fair value of the Option is determined to be \$45,000 at March 31, 2020. The Option is classified as a Level 3 financial instrument in the fair value hierarchy and is measured based on the adjusted net asset value of Tonalli with reference to a reserve report on Tonalli's oil and gas properties, the trading price of the Company's share at the valuation date and expected volatility.

### 12. Commitments and contingencies

- a) Effective July 1, 2019 the Company is party to an agreement to lease its new premises until June 30, 2020. 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 \$20,475.
- c) At March 31, 2020 Tonalli had completed all of the requirements to satisfy the minimum work commitments as required by the extension of the evaluation plan in conjunction with its license contract for Tecolutla and received full accreditation for its remaining work units.

Tonalli has no remaining work commitments with respect to the license contract at March 31, 2020.

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**International Frontier Resources Corporation**  
**Notes to the Consolidated Financial Statements**  
For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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**13. Supplemental cash flow information**

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

	<b>Three months ended March 31, 2020</b>	Three months ended March 31, 2019
Receivables	\$ (346,330)	\$ (185,490)
Prepays	(28,085)	(6,615)
Payables and accruals	<u>(169,500)</u>	<u>(20,835)</u>
	<b>\$ (543,915)</b>	<b>\$ (212,490)</b>
Operating activities	\$ (204,020)	\$ (149,720)
Investing activities	<u>(339,895)</u>	<u>(62,770)</u>
	<b>\$ (543,915)</b>	<b>\$ (212,490)</b>
Taxes paid	\$ _____	\$ _____
Interest paid	\$ _____	\$ _____
Cash and cash equivalents are comprised of:		
Cash	\$ 403,780	\$ 31,225
Cash on hand - Mexico	<u>9,950</u>	<u>13,070</u>
	<b>\$ 413,730</b>	<b>\$ 44,295</b>

**14. Financial risk management**

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, 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.

The maximum exposure to loss associated with accounts receivable is the total carrying amounts on the balance sheet. All amounts outstanding at March 31, 2020 are expected to be collected in 2020.

The following table presents the aging of the Company's accounts receivable at March 31, 2020:

<b>Total accounts receivable</b>	<b>0 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Greater than 90 days</b>
\$ 31,615	\$ 6,650	\$ -	\$ -	\$ 24,965

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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### 14. Financial risk management (continued)

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets. All balances receivable greater than 60 days are owing from related parties, there are no material financial assets due from third parties that are past due.

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 based on historical credit loss experience adjusted for forward looking factors 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.

The Company's allowance for doubtful accounts balance at March 31, 2020 is \$799,240 (2019 – \$799,240).

#### 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, 2020, 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, 2020, the carrying amount of the Company's Mexican pesos denominated net monetary assets was approximately \$87,150 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, 2020 would have affected the value of such balances by approximately \$870 CAD.

At March 31, 2020, the carrying amount of the Company's U.S. dollar denominated monetary assets was approximately US \$47,975. 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, 2020 would have affected the value of such balances by approximately \$475 CAD.

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019  
(Unaudited)

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### 14. Financial risk management (continued)

#### d) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum are impacted by the relationship between the Canadian dollar and Mexican peso, the Canadian dollar and United States dollar, global economic events and Mexican government policies.

The operations of Tonalli are affected by changes in commodity prices, which in turn, will affect the Company's investment in associates.

#### e) 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.

#### f) 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, 2020 and December 31, 2019 cash and cash equivalents and restricted cash on deposit have been classified as Level 1. The Tonalli purchase option is classified as Level 3.