



**International Frontier Resources Corporation**  
**Condensed Consolidated Interim Financial Statements**  
**For the Three and Six-Month Periods Ended**  
**June 30, 2020 and 2019**

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# **International Frontier Resources Corporation**

## **Condensed Consolidated Interim Financial Statements**

**For the three and six month periods ended June 30, 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 and six month periods ended June 30, 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: June 30, December 31,  
2020 2019

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#### Assets

##### Current

|                                     |    |         |    |         |
|-------------------------------------|----|---------|----|---------|
| Cash and cash equivalents (Note 12) | \$ | 222,980 | \$ | 95,050  |
| Accounts receivable                 |    | 21,995  |    | 25,180  |
| Prepays and deposits                |    | 41,240  |    | 32,755  |
|                                     |    | 286,215 |    | 152,985 |

|  |  |              |  |              |
|--|--|--------------|--|--------------|
| Tonalli purchase option (Note 10)      |  | 45,000       |  | 45,000       |
| Shareholder loans (Note 10)            |  | 2,549,675    |  | 2,262,935    |
| Investment in associates (Note 10)     |  | 2,543,815    |  | 3,598,815    |
| Property, plant and equipment (Note 4) |  | 2,790        |  | 3,295        |
|  |  | \$ 5,427,495 |  | \$ 6,063,030 |

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#### Liabilities

##### Current

|  |    |         |    |         |
|--|----|---------|----|---------|
| Accounts payable and accrued liabilities | \$ | 554,675 | \$ | 748,900 |
| Long term debt (Note 11)                 |    | 40,000  |    | -       |
|  |    | 594,675 |    | 748,900 |

#### Shareholders' Equity

|                               |  |              |  |              |
|-------------------------------|--|--------------|--|--------------|
| Share capital (Note 5a)       |  | 57,294,860   |  | 56,618,810   |
| Contributed surplus (Note 5b) |  | 12,629,960   |  | 12,511,795   |
| Deficit                       |  | (65,092,000) |  | (63,816,475) |
|                               |  | 4,832,320    |  | 5,314,130    |
|                               |  | \$ 5,427,495 |  | \$ 6,063,030 |

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Going concern (Note 2)  
 Commitments and contingencies (Note 11)

On behalf of the Board of Directors

**(Signed) "Steve Hanson"** \_\_\_\_\_ 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**

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|  | Three Months Ended June 30, |                     | Six Months Ended June 30, |                       |
|--|-----------------------------|---------------------|---------------------------|-----------------------|
|  | 2020                        | 2019                | 2020                      | 2019                  |
| <b>Expenses</b>                        |                             |                     |                           |                       |
| General and administration             | \$ 161,470                  | \$ 174,340          | \$ 293,300                | \$ 354,910            |
| Pre-exploration costs                  | -                           | 63,000              | 20,695                    | 126,000               |
| Depreciation (Note 4)                  | 190                         | 200                 | 505                       | 415                   |
| Share based compensation (Note 5b)     | 52,110                      | 98,030              | 118,165                   | 148,345               |
| Bad debt expense                       | -                           | 93,590              | -                         | 93,590                |
| Loss on equity investment (Note 10)    | 711,210                     | 73,205              | 1,055,000                 | 317,605               |
|  | <u>924,980</u>              | <u>502,365</u>      | <u>1,487,665</u>          | <u>1,040,865</u>      |
| <b>Finance income and expenses</b>     |                             |                     |                           |                       |
| Interest income                        | 18,570                      | 94,515              | 48,700                    | 150,045               |
| Foreign exchange gain (loss)           | (145,500)                   | (167,250)           | 163,440                   | (273,240)             |
|  | <u>(126,930)</u>            | <u>(72,735)</u>     | <u>212,140</u>            | <u>(123,195)</u>      |
| <b>Net loss and comprehensive loss</b> | <u>\$ (1,051,910)</u>       | <u>\$ (575,100)</u> | <u>\$ (1,275,525)</u>     | <u>\$ (1,164,060)</u> |
| <b>Net loss per share (Note 7)</b>     |                             |                     |                           |                       |
| Basic and diluted                      | <u>\$ (0.00)</u>            | <u>\$ (0.00)</u>    | <u>\$ (0.00)</u>          | <u>\$ (0.01)</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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|  | June 30, 2020      |                        | June 30, 2019      |                        |
|--|--------------------|------------------------|--------------------|------------------------|
|  | Number             | Amount                 | Number             | Amount                 |
| <b>Common shares</b>                       |                    |                        |                    |                        |
| Balance, beginning of year                 | 173,851,385        | \$ 56,618,810          | 152,072,385        | \$ 54,619,440          |
| Shares issued for cash                     | 69,540,554         | 690,405                | 21,779,000         | 2,069,005              |
| Share Issue costs                          |                    | (14,355)               |                    | (63,055)               |
| Balance, end of year                       | <u>243,391,939</u> | <u>\$ 57,294,860</u>   | <u>173,851,385</u> | <u>\$ 56,625,390</u>   |
| <b>Contributed surplus</b>                 |                    |                        |                    |                        |
| Balance, beginning of year                 |                    | \$ 2,511,795           |                    | \$ 12,204,285          |
| Share based compensation expense (Note 5b) |                    | 118,165                |                    | 148,345                |
| Balance, end of year                       |                    | <u>\$ 12,629,960</u>   |                    | <u>\$ 12,352,630</u>   |
| <b>Deficit</b>                             |                    |                        |                    |                        |
| Balance beginning of year                  |                    | \$ (63,816,475)        |                    | \$ (60,932,615)        |
| Net loss for the year                      |                    | (1,275,525)            |                    | (1,164,060)            |
| Balance, end of year                       |                    | <u>\$ (65,092,000)</u> |                    | <u>\$ (62,096,675)</u> |
| <b>Total shareholder's equity</b>          |                    | <u>\$ 4,832,320</u>    |                    | <u>\$ 6,881,345</u>    |

See accompanying notes to the consolidated financial statements.

## International Frontier Resources Corporation

### Condensed Consolidated Interim Statements of Cash Flows

|   | Three Months Ended June 30, |                    | Six Months Ended June 30, |                    |
|---|-----------------------------|--------------------|---------------------------|--------------------|
|   | 2020                        | 2019               | 2020                      | 2019               |
| <b>Operating</b>                                  |                             |                    |                           |                    |
| Net loss  | \$ (1,051,910)              | \$ (575,100)       | \$ (1,275,525)            | \$ (1,164,060)     |
| Non-cash items:                                   |                             |                    |                           |                    |
| Depreciation                                      | 190                         | 200                | 505                       | 415                |
| Share based compensation (Note 5b)                | 52,110                      | 98,030             | 118,165                   | 148,345            |
| Loss on equity investment (Note 10)               | 711,210                     | 73,205             | 1,055,000                 | 317,605            |
| Unrealized foreign exchange (gain) loss           | 145,590                     | 142,650            | (162,750)                 | 238,505            |
| Change in non-cash working capital (Note 12)      | 4,495                       | 88,640             | (199,525)                 | 238,920            |
|   | <u>(138,315)</u>            | <u>(172,375)</u>   | <u>(464,130)</u>          | <u>(220,270)</u>   |
| <b>Investing</b>                                  |                             |                    |                           |                    |
| Shareholder loan (Note 10)                        | (67,775)                    | (1,221,325)        | (67,775)                  | (1,491,395)        |
| Change in non-cash investing capital (Note 12)    | (24,660)                    | (109,540)          | (56,215)                  | (172,310)          |
| Cash flow used in continuing investing activities | <u>(92,435)</u>             | <u>(1,330,865)</u> | <u>(123,990)</u>          | <u>(1,663,705)</u> |
| <b>Financing</b>                                  |                             |                    |                           |                    |
| Long term debt (Note 11)                          | 40,000                      | -                  | -                         | -                  |
| Shares issued for cash (Note 5)                   | -                           | 2,069,005          | 690,405                   | 2,069,005          |
| Share issuance costs                              | -                           | (63,055)           | (14,355)                  | (63,055)           |
| Cash flow from financing activities               | <u>40,000</u>               | <u>2,005,950</u>   | <u>716,050</u>            | <u>2,005,950</u>   |
| Net change in cash and cash equivalents           | (190,750)                   | 502,710            | 127,930                   | 121,975            |
| Cash and cash equivalents                         |                             |                    |                           |                    |
| Beginning of year                                 | 413,730                     | 44,295             | 95,050                    | 425,030            |
| End of year                                       | <u>\$ 222,980</u>           | <u>\$ 547,005</u>  | <u>\$ 222,980</u>         | <u>\$ 547,005</u>  |

Supplemental cash flow information (Note 12)

See accompanying notes to the consolidated financial statements.

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# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the six and three month periods ended June 30, 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 August 26, 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 \$1,275,525 and cash flows used in operations of \$464,130 for the period ended June 30, 2020, and a working capital deficit of \$268,460 as at June 30, 2020.



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## **International Frontier Resources Corporation**

### **Notes to the Consolidated Financial Statements**

**For the three and six month periods ended June 30, 2020 and 2019**

(Unaudited)

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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 significantly declined, to levels where continued operations could not be sustained at profitable levels. Operations within Tonalli were suspended until oil prices increased to profitable levels. Oil prices stabilized in June 2020 and the Company resumed operations on July 1, 2020.

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 \$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 and six month periods ended June 30, 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 and six month periods ended June 30, 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

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.

# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

### 4. Property, plant and equipment

| Cost                              | Office furniture and<br>equipment |
|-----------------------------------|-----------------------------------|
| Balance at December 31, 2019      | \$ 137,570                        |
| Additions                         | -                                 |
| <b>Balance at June 30, 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        | (505)                             |
| <b>Balance at June 30, 2020</b>   | <b>\$ (134,780)</b>               |
| <b>Carrying Value</b>             |                                   |
| Balance at December 31, 2019      | \$ 3,295                          |
| <b>Balance at June 30, 2020</b>   | <b>\$ 2,790</b>                   |

### 5. Share capital

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

|   | Number of<br>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 June 30, 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 and six month periods ended June 30, 2020 and 2019  
(Unaudited)

### 5. 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

|                              | <u>June 30,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|------------------------------|--------------------------------|------------------------------------|
| Balance, beginning of period | \$ 12,511,795                  | \$ 12,204,285                      |
| Share based compensation     | <u>118,165</u>                 | <u>307,510</u>                     |
| Balance, end of period       | <u>\$ 12,629,960</u>           | <u>\$ 12,511,795</u>               |

#### 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 June 30, 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

|                              | <u>June 30 ,</u><br><u>2020</u> |                 | <u>December 31,</u><br><u>2019</u> |                 |
|------------------------------|---------------------------------|-----------------|------------------------------------|-----------------|
|                              | Weighted                        |                 | Weighted                           |                 |
|                              | Number of                       | Average         | Number of                          | Average         |
|                              | <u>Options</u>                  | <u>Exercise</u> | <u>Options</u>                     | <u>Exercise</u> |
|                              |                                 | <u>Price</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            | -                               | -               | <u>(3,625,000)</u>                 | <u>0.11</u>     |
| Balance, end of period       | <u>14,525,000</u>               | <u>\$ 0.13</u>  | <u>14,525,000</u>                  | <u>\$ 0.13</u>  |

#### June 30, 2020

|                 | <u>Options Outstanding</u> |              |                |                   | <u>Options Exercisable</u> |  |
|-----------------|----------------------------|--------------|----------------|-------------------|----------------------------|--|
|                 | Options                    | Weighted     | Weighted       | Options           | Weighted                   |  |
| Exercise Price  | Outstanding                | Average      | Average        | Exercisable       | Average                    |  |
|                 |                            | Contractual  | Exercise       |                   | Exercise                   |  |
|                 |                            | Life (years) | Price          |                   | Price                      |  |
| \$0.08          | 7,100,000                  | 3.95         | \$ 0.08        | 2,633,333         | \$ 0.08                    |  |
| \$0.13 - \$0.16 | 3,375,000                  | 0.58         | \$ 0.14        | 3,375,000         | \$ 0.14                    |  |
| \$0.22          | <u>4,050,000</u>           | <u>2.43</u>  | <u>\$ 0.22</u> | <u>4,050,000</u>  | <u>\$ 0.22</u>             |  |
|                 | <u>14,525,000</u>          | <u>2.82</u>  | <u>\$ 0.13</u> | <u>10,058,333</u> | <u>\$ 0.13</u>             |  |

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

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#### 5. 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  |

#### 6. 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 June 30, 2020, the Company's capital as defined above is as follows:

|   | June 30,<br>2020 | December 31,<br>2019 |
|---|------------------|----------------------|
| Cash and cash equivalents                 | \$ 222,980       | \$ 95,050            |
| Accounts receivable                       | 21,995           | 25,180               |
| Accounts payables and accrued liabilities | (554,675)        | (748,900)            |
|   | \$ (309,700)     | \$ (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 and six month periods ended June 30, 2020 and 2019  
(Unaudited)

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#### 6. 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.

#### 7. Per share amounts

|                                      | Three Months ended June 30, |                    | Six Months Ended June 30, |                    |
|--------------------------------------|-----------------------------|--------------------|---------------------------|--------------------|
|                                      | 2020                        | 2019               | 2020                      | 2018               |
| Net loss                             | \$ (1,051,910)              | \$ (575,100)       | \$ (1,275,525)            | \$ (1,164,060)     |
| Weighted average number<br>of shares | <u>305,205,765</u>          | <u>164,602,368</u> | <u>305,205,765</u>        | <u>158,337,627</u> |
| Loss per share                       | \$ <u>(0.00)</u>            | \$ <u>(0.00)</u>   | \$ <u>(0.00)</u>          | \$ <u>(0.01)</u>   |

#### 8. Related party transactions

At June 30, 2020, \$238,800 (2019 – \$304,020) was included in accounts payable and accrued liabilities owing to related parties.

Included in accounts receivable at June 30, 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 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.

# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

### 9. 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>Six months ended June 30, 2020</u> | <u>Canada</u>       | <u>Mexico</u>       | <u>Total</u>          |
|---------------------------------------|---------------------|---------------------|-----------------------|
| Expenses                              |                     |                     |                       |
| General and administration            | \$ 287,265          | \$ 6,035            | \$ 293,300            |
| Pre exploration costs                 | 20,695              | -                   | 20,695                |
| Depletion and depreciation            | 505                 | -                   | 505                   |
| Share based compensation              | 118,165             | -                   | 118,165               |
| Loss on equity investment             | -                   | 1,055,000           | 1,055,000             |
|                                       | <u>426,630</u>      | <u>1,061,035</u>    | <u>1,487,665</u>      |
| Interest income                       | -                   | 48,700              | 48,700                |
| Foreign exchange gain                 | 2,545               | 160,895             | 163,440               |
|                                       | <u>2,545</u>        | <u>209,595</u>      | <u>212,140</u>        |
| Net loss and comprehensive loss       | <u>\$ (424,085)</u> | <u>\$ (851,440)</u> | <u>\$ (1,275,525)</u> |

| <u>Three months ended June 30, 2020</u> | <u>Canada</u>       | <u>Mexico</u>       | <u>Total</u>          |
|---|---------------------|---------------------|-----------------------|
| Expenses                                |                     |                     |                       |
| General and administration              | \$ 159,380          | \$ 2,090            | \$ 161,470            |
| Depletion and depreciation              | 190                 | -                   | 190                   |
| Share based compensation                | 52,110              | -                   | 52,110                |
| Loss on equity investment               | -                   | 711,210             | 711,210               |
|   | <u>211,680</u>      | <u>713,300</u>      | <u>924,980</u>        |
| Interest income                         | -                   | 18,570              | 18,570                |
| Foreign exchange loss                   | (3,060)             | (142,440)           | (145,440)             |
|   | <u>(3,060)</u>      | <u>(123,870)</u>    | <u>(126,930)</u>      |
| Net loss and comprehensive loss         | <u>\$ (214,740)</u> | <u>\$ (837,170)</u> | <u>\$ (1,051,910)</u> |



# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

### 9. Segmented information (continued)

| <b>Six months ended June 30, 2019</b>   | <b>Canada</b>       | <b>Mexico</b>       | <b>Total</b>          |
|---|---------------------|---------------------|-----------------------|
| Expenses                                |                     |                     |                       |
| General and administration              | \$ 354,630          | \$ 280              | \$ 354,910            |
| Pre exploration costs                   | -                   | 126,000             | 126,000               |
| Depletion and depreciation              | 415                 | -                   | 415                   |
| Share based compensation                | 148,345             | -                   | 148,345               |
| Bad debt expense                        | 93,590              | -                   | 93,590                |
| Loss on equity investment               | -                   | 317,605             | 317,605               |
|   | <u>596,980</u>      | <u>443,885</u>      | <u>1,040,865</u>      |
| Finance income and expenses             |                     |                     |                       |
| Interest income                         | 1,580               | 148,465             | 150,045               |
| Foreign exchange loss                   | (27,130)            | (246,110)           | (273,240)             |
|   | <u>(25,550)</u>     | <u>(97,645)</u>     | <u>(123,195)</u>      |
| Net loss and comprehensive loss         | <u>\$ (622,530)</u> | <u>\$ (541,530)</u> | <u>\$ (1,164,060)</u> |
| <br>                                    |                     |                     |                       |
| <b>Three months ended June 30, 2019</b> | <b>Canada</b>       | <b>Mexico</b>       | <b>Total</b>          |
| Expenses                                |                     |                     |                       |
| General and administration              | \$ 174,175          | \$ 165              | \$ 174,340            |
| Pre exploration costs                   | -                   | 63,000              | 63,000                |
| Depletion and depreciation              | 200                 | -                   | 200                   |
| Share based compensation                | 98,030              | -                   | 98,030                |
| Bad debt expense                        | 93,590              | -                   | 93,590                |
| Loss on equity investment               | -                   | 73,205              | 73,205                |
|   | <u>365,995</u>      | <u>136,370</u>      | <u>502,365</u>        |
| Finance income and expenses             |                     |                     |                       |
| Interest income                         | 40,485              | 54,030              | 94,515                |
| Foreign exchange loss                   | (66,370)            | (100,880)           | (167,250)             |
|   | <u>(25,885)</u>     | <u>(46,850)</u>     | <u>(72,735)</u>       |
| Net loss and comprehensive loss         | <u>(391,880)</u>    | <u>(183,220)</u>    | <u>(575,100)</u>      |

# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

### 9. Segmented information (continued)

#### b) Assets

##### As at June 30, 2020

|              | <u>Canada</u> |    | <u>Mexico</u> |    | <u>Total</u> |
|--------------|---------------|----|---------------|----|--------------|
| Total assets | \$ 317,625    | \$ | 5,109,870     | \$ | 5,427,495    |

##### As at December 31, 2019

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

### 10. Investment in associates

At June 30, 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:

| <u>As at June 30, 2020</u>       | <u>Tonalli</u>      |           | <u>Mexcan</u> |           | <u>Total</u>     |
|----------------------------------|---------------------|-----------|---------------|-----------|------------------|
| Balance, beginning of year       | \$ 3,560,210        | \$        | 38,605        | \$        | 3,598,815        |
| Share of income (loss) for the y | (1,059,410)         |           | 4,410         |           | (1,055,000)      |
| <b>Balance, end of period</b>    | <b>\$ 2,500,800</b> | <b>\$</b> | <b>43,015</b> | <b>\$</b> | <b>2,543,815</b> |
|                                  |                     |           |               |           |                  |
| <u>As at December 31, 2019</u>   | <u>Tonalli</u>      |           | <u>Mexcan</u> |           | <u>Total</u>     |
| Balance, beginning of year       | \$ 328,395          | \$        | 30,445        | \$        | 358,840          |
| Contributions                    | 3,117,120           |           | -             |           | 3,117,120        |
| Share of income (loss) for the y | (890,305)           |           | 8,160         |           | (882,145)        |
| Fair value adjustment of Tonalli | 1,005,000           |           | -             |           | 1,005,000        |
| <b>Balance, end of year</b>      | <b>\$ 3,560,210</b> | <b>\$</b> | <b>38,605</b> | <b>\$</b> | <b>3,598,815</b> |

At June 30, 2020, Frontera has loaned \$2,987,940 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 June 30, 2020 was \$566,735 (December 31, 2019 - \$485,255) and has been included in shareholder loan at June 30, 2020 .

At December 31, 2019, the fair value of the shareholder loan was 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.

# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

### 10. 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                                 | June 30, 2020 | December 31, 2019 |
|---------------------------------------|---------------|-------------------|
| Cash                                  | \$ 235,470    | \$ 523,560        |
| Other current assets                  | 643,020       | 1,884,055         |
| Oil and gas properties                | 11,746,365    | 12,755,605        |
| Other non current assets              | 2,389,840     | 2,385,818         |
| Total assets                          | 15,014,695    | 17,549,038        |
| Current liabilities - payables and ac | 4,426,600     | 5,178,987         |
| Long term liabilities                 | 7,341,700     | 12,187,372        |
| Total liabilities                     | 11,768,300    | 17,366,359        |

|                          | Three months ended June 30, |              | Six months ended June 30 |              |
|--------------------------|-----------------------------|--------------|--------------------------|--------------|
|                          | 2020                        | 2019         | 2020                     | 2019         |
| Loss before income taxes | \$ (832,590)                | \$ (525,680) | \$ (2,118,820)           | \$ (953,615) |

#### Mexcan

##### Summarized financial information

|                          | Three months ended June 30, |           | Six months ended June 30 |           |
|--------------------------|-----------------------------|-----------|--------------------------|-----------|
|                          | 2020                        | 2019      | 2020                     | 2019      |
| Loss before income taxes | \$ 3,830                    | \$ 13,280 | \$ 8,820                 | \$ 21,580 |

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

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#### 10. 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 June 30, 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.

#### 11. Commitments and contingencies

- a) Effective July 1, 2020 the Company is party to an agreement to lease its new premises until June 30, 2021. 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 \$24,000.
- b) At June 30, 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 June 30, 2020.

- c) On April 29, 2020 the Company received a \$40,000 Canada Emergency Business Account ("CEBA") unsecured loan from the Government of Canada via its commercial bank. The loan is interest free until December 31, 2022 and matures on December 31, 2025. If the loan is paid off by December 31, 2022 a quarter of the loan will be forgiven. If the loan is not repaid by December 31, 2022, interest at 5% will be charged per annum commencing on January 1, 2023 until maturity.

# International Frontier Resources Corporation

## Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019  
(Unaudited)

### 12. Supplemental cash flow information

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

|                       | Three Months ended June 30, |                     | Six Months Ended June 30, |                     |
|-----------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                       | 2020                        | 2019                | 2020                      | 2019                |
| Receivables           | \$ (15,040)                 | \$ (62,315)         | \$ (53,030)               | \$ (247,795)        |
| Prepays               | 19,600                      | (8,545)             | (8,485)                   | (15,165)            |
| Restricted cash       | -                           | -                   | -                         | 300,000             |
| Payables and accruals | (24,725)                    | 49,960              | (194,225)                 | 29,750              |
|                       | <u>\$ (20,165)</u>          | <u>\$ (20,900)</u>  | <u>\$ (255,740)</u>       | <u>\$ 66,790</u>    |
| Operating activities  | <u>\$ 4,495</u>             | <u>\$ 88,640</u>    | <u>\$ (199,525)</u>       | <u>\$ 238,920</u>   |
| Investing activities  | <u>\$ (24,660)</u>          | <u>\$ (109,540)</u> | <u>\$ (56,215)</u>        | <u>\$ (172,310)</u> |
| Interest paid         | <u>\$ -</u>                 | <u>\$ -</u>         | <u>\$ -</u>               | <u>\$ -</u>         |

Cash and cash equivalents are comprised of:

|                       | Three Months ended June 30, |                   | Six Months Ended June 30, |                   |
|-----------------------|-----------------------------|-------------------|---------------------------|-------------------|
|                       | 2020                        | 2019              | 2020                      | 2019              |
| Cash on hand - Canada | \$ 215,550                  | \$ 270,930        | \$ 215,550                | \$ 270,930        |
| Cash on hand - Mexico | 7,430                       | 276,075           | 7,430                     | 276,075           |
|                       | <u>\$ 222,980</u>           | <u>\$ 547,005</u> | <u>\$ 222,980</u>         | <u>\$ 547,005</u> |

### 13. 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 June 30, 2020 are expected to be collected in 2020.

The following table presents the aging of the Company's accounts receivable at June 30, 2020:

| Total accounts receivable | 0 to 30 days | 31 to 60 days | 61 to 90 days | Greater than 90 days |
|---------------------------|--------------|---------------|---------------|----------------------|
| \$ 21,995                 | \$ 6,675     | \$ -          | \$ 6,650      | \$ 8,670             |

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

(Unaudited)

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#### 13. 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 June 30, 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 June 30, 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 June 30, 2020, the carrying amount of the Company's Mexican pesos denominated net monetary assets was approximately \$48,620 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 June 30, 2020 would have affected the value of such balances by approximately \$485 CAD.

At June 30, 2020, the carrying amount of the Company's U.S. dollar denominated monetary assets was approximately US \$7,935. 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 June 30, 2020 would have affected the value of such balances by approximately \$75 CAD.

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## International Frontier Resources Corporation

### Notes to the Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

(Unaudited)

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#### 13. 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 June 30, 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.