International Frontier Resources Corporation

Interim Unaudited Condensed Consolidated Financial Statements

For the Three Month Periods Ended March 31, 2021 and 2020

Contents

International Frontier Resources Corporation

Condensed Consolidated Interim Financial Statements

For the three month periods ended March 31, 2021 and 2020

(Unaudited)

National Instrument 51-102 Notice

The condensed consolidated interim financial statements of International Frontier Resources Corporation ("the Company") For the three-month periods ended March 31, 2021 and 2020 have been compiled by management.

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

International Frontier Resources Corporation

Condensed Consolidated Statements of Financial Position

(Unaudited)

As at:	March 31, 2021	December 31, 2020
Assets		
Current		
Cash (Note 14)	**$ 24,030**	$ 44,600
Accounts receivable	**18,505**	30,240
Prepaids and deposits	**38,205**	25,030
	80,740	99,870
Shareholder loans (Note 11)	**2,321,505**	2,333,090
Property, plant and equipment (Note 4)	**2,035**	2,535
	$ 2,404,280	$ 2,435,495
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 732,085**	$ 670,275
Long term debt (Note 12)	**43,460**	43,460
	775,545	713,735
Shareholders' Equity		
Share capital (Note 5a)	**57,294,860**	57,294,860
Contributed surplus (Note 5b)	**12,714,185**	12,684,640
Deficit	**(68,380,310)**	(68,257,740)
	1,628,735	1,721,760
	$ 2,404,280	$ 2,435,495

Going concern (Note 2)
Commitments and contingencies (Note 13)
Subsequent events (Note 15)

On behalf of the Board of Directors

(Signed) "Steve Hanson" Director **(Signed) "Anthony Kinnon"** Director

See accompanying notes to the interim unaudited condensed consolidated financial statements.

International Frontier Resources Corporation
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited)

For the three months ended March 31,	**2021**	2020
Expenses		
General and administration	**$ 130,800**	$ 131,830
Pre-exploration costs	**-**	20,695
Depreciation (Note 4)	**500**	315
Share based compensation (Note 5b)	**29,545**	66,055
Gain on settlement of accounts payable (Note 6)	**(55,000)**	-
Loss on equity investment (Note 11)	**-**	343,790
	105,845	562,685
Finance income and expenses		
Interest income	**27,395**	30,130
Foreign exchange gain (loss)	**(44,120)**	308,940
	(16,725)	339,070
Net loss and comprehensive loss	**$ (122,570)**	$ (223,615)
Net loss per share (Note 8)		
Basic and diluted	**$ (0.00)**	$ (0.00)

See accompanying notes to the interim unaudited condensed consolidated financial statements.

International Frontier Resources Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited)

	March 31, 2021		March 31, 2020	
	Number	**Amount**	**Number**	**Amount**
Common shares				
Balance, beginning of period	**243,391,939**	**$ 57,294,860**	**173,851,385**	**$ 56,618,810**
Shares issued for cash (Note 5a)		**-**	**69,540,554**	**690,405**
Share Issue costs (Note 5a)		**-**		**(14,355)**
Balance, end of period	**243,391,939**	**$ 57,294,860**	**243,391,939**	**$ 57,294,860**
Contributed surplus				
Balance, beginning of period		**$ 12,684,640**		**$ 12,511,795**
Share based compensation expense (Note 5b)		**29,545**		**66,055**
Balance, end of period		**$ 12,714,185**		**$ 12,577,850**
Deficit				
Balance beginning of period		**$ (68,257,740)**		**$ (63,816,475)**
Net loss for the period		**(122,570)**		**(223,615)**
Balance, end of period		**$ (68,380,310)**		**$ (64,040,090)**
Total shareholder's equity		**$ 1,628,735**		**$ 5,832,620**

See accompanying notes to the interim unaudited condensed consolidated financial statements.

International Frontier Resources Corporation
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

For the three months ended March 31,	2021	2020
Operating		
Net loss	**$ (122,570)**	$ (223,615)
Non-cash items:		
Depreciation	**500**	315
Share based compensation (Note 5b)	**29,545**	66,055
Gain on settlement of accounts payable (Note 6)	**(55,000)**	-
Loss on equity investment (Note 11)	**-**	343,790
Unrealized foreign exchange loss	**44,205**	-
Change in non-cash working capital (Note 14)	**115,370**	(204,020)
Cash flow used in operations	**12,050**	(17,475)
Investing		
Change in non-cash investing capital (Note 14)	**(32,621)**	(339,895)
Cash flow used in investing activities	**(36,261)**	(339,895)
Financing		
Shares issued for cash (Note 5a)	**-**	690,405
Share issuance costs (Note 5a)	**-**	(14,355)
Cash flow from financing activities	**-**	676,050
Net change in cash	**(20,571)**	318,680
Cash		
Beginning of period	**44,600**	95,050
End of period	**$ 24,029**	$ 413,730

Supplemental cash flow information (Note 14)

See accompanying notes to the interim unaudited condensed consolidated financial statements.

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 3rd Avenue S.W., Calgary, Alberta, Canada.

The condensed consolidated interim 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, 2020.

These financial statements were approved and authorized for issue by the Board of Directors on May 31, 2021.

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 $122,570 and cash flows used in operations of $12,050 for the period ended March 31, 2021, and a working capital deficit of $631,345 as at March 31, 2021.

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

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and measures being introduced at various levels of government to curtail the spread of the virus such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing, may have a material impact on the Company's operations. Current measures may continue and increase depending on developments in the outbreak making it uncertain for the Company to determine the ultimate severity and the extent of the impact on its operations.

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.

Significant accounting judgments, estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the 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.

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

- 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.

- Oil and gas reserves are evaluated by an independent qualified reserve evaluator. The estimation of reserves is an inherently complex process and involves the exercise of professional judgment. Estimates are based on projected future rates of production, estimated commodity prices, engineering data and the timing of future expenditures, all of which are subject to uncertainty. Changes in reserve estimates can have an impact on reported net earnings through revisions to depletion and impairment expense, in addition to determining possible impairments of property, plant and equipment.

- 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

- 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.

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

- 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.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the Company's business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Company's financial statements in fiscal 2021 and beyond.

The pandemic and current market conditions have increased the complexity of estimates and assumptions used to prepare the financial statements, particularly related to recoverable amounts.

estimates and assumptions, which are subject to change as new information becomes available. The severe drop in and volatility of forecasted commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the estimated recoverable amounts, especially estimating the economic proved and probable oil and gas reserves and the related cash flows, and estimating forecasted oil and gas commodity prices.

3. Summary of significant 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, 2020.

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, 2020.

4. Property and equipment

Cost		Office furniture and equipment
Balance at December 31, 2020	$	137,570
Additions		-
Balance at March 31, 2021	**$**	**137,570**
Depletion and depreciation		
Balance at December 31, 2019	**$**	(134,275)
Depletion and depreciation		(760)
Balance at December 31, 2020		(135,035)
Depletion and depreciation		(500)
Balance at March 31, 2021	**$**	**(135,535)**
Carrying Value		
Balance at December 31, 2020	$	2,535
Balance at March 31, 2021	**$**	**2,035**

5. Share capital

a) Authorized:

Unlimited common shares, Unlimited preferred shares

	Number of Shares	Amount
Balance at December 31, 2019	**152,072,385**	**$54,619,440**
Shares issued via rights offering (i)	69,540,554	690,405
Shares issue costs		(14,355)
Balance at December 31, 2020 and March 31, 2021	**243,391,939**	**$57,294,860**

i) 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.

5. Share capital (continued)

b) Contributed surplus

	March 31, 2021	December 31, 2020
Balance, beginning of period	**$ 12,684,640**	$ 12,511,795
Share based compensation	**29,545**	172,845
Balance, end of period	**$ 12,714,185**	$ 12,684,640

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, 2021, 11,600,000 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, 2021 Number of Options	March 31, 2021 Weighted Average Exercise Price	December 31, 2020 Number of Options	December 31, 2020 Weighted Average Exercise Price
Balance, beginning of period	**11,600,000**	**$ 0.13**	14,525,000	$ 0.13
Expired/cancelled	**-**	**-**	(2,925,000)	0.13
Balance, end of period	**11,600,000**	**$ 0.13**	11,600,000	$ 0.13

March 31, 2021	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.08 - $0.10	6,600,000	3.20	$ 0.08	4,450,000	$ 0.08
$0.13 - $0.16	1,325,000	0.17	$ 0.15	1,325,000	$ 0.15
$0.22	3,675,000	1.68	$ 0.22	3,675,000	$ 0.22
	11,600,000	2.43	$ 0.13	9,450,000	$ 0.13

6. Gain on settlement of accounts payable

In March 2021, the Company settled amounts owing of $62,500 to a consultant in relation to services provided in 2019 for $7,500.

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, 2021, the Company's capital as defined above is as follows:

	March 31, 2021	December 31, 2020
Cash	**$ 24,030**	$ 44,600
Accounts receivable	**18,505**	30,240
Accounts payables and accrued liabilities	**(732,085)**	(670,275)
	$ (689,550)	$ (595,435)

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.

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.

8. Per share amounts

	Three months ended March 31, 2021	Three months ended March 31, 2020
Net loss from continuing operations	**$ (122,570)**	$ (223,615)
Weighted average number of shares	**243,391,939**	235,892,538
Basic loss per share from continuing operations	**$ (0.00)**	$ (0.00)

9. Related party transactions

At March 31, 2021, $407,270 (2020 – $292,895) was included in accounts payable and accrued liabilities owing to related parties. Subsequent to March 31, 2021, the Company agreed to settle $328,800 of the amounts owing via a debt to share conversion at a share price of $0.025 per share (see Note 15).

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.

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

Three months ended March 31, 2021	Canada	Mexico	Total
Expenses			
General and administration	$ 128,503	$ 2,298	$ 130,800
Depletion and depreciation	500	-	500
Share based compensation	29,545	-	29,545
Gain on settlement of accounts payable	(55,000)	-	(55,000)
	103,548	2,298	105,845
Interest income	-	27,395	27,395
Foreign exchange loss	(44)	(44,076)	(44,120)
	(44)	(16,681)	(16,725)
Net loss and comprehensive loss	$ (103,592)	$ (18,978)	$ (122,570)

10. Segmented information (continued)

Three months ended March 31, 2020	Canada	Mexico	Total
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
	154,040	408,645	562,685
Finance income and expenses			
Interest income	-	30,130	30,130
Foreign exchange gain	5,605	303,335	308,940
	5,605	333,465	339,070
Net loss and comprehensive loss	$ (148,435)	$ (75,180)	$ (223,615)

b) Assets

As at March 31, 2021

	Canada	Mexico	Total
Total Assets	$ 63,395	$ 2,340,885	$ 2,404,280

As at December 31, 2020

	Canada	Mexico	Total
Total Assets	$ 84,830	$ 2,350,665	$ 2,535,495

11. Investment in associates

At March 31, 2021, 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:

	Tonalli	Mexcan	Total
Balance at December 31, 2019	$ 3,560,210	$ 38,605	**$ 3,598,815**
Fair value adjustment of Tonalli loan	26,375	-	**26,375**
Share of income (loss) for the year	(3,586,585)	3,775	**(3,582,810)**
Impairments	-	(42,380)	**(42,380)**
Balance at December 31, 2021 and March 31, 2021	**$ -**	**$ -**	**$ -**

At December 31, 2020, the Company's share of losses in Tonalli exceeded its investment in Tonalli and as a result, the Company's investment in Tonalli at December 31, 2020 was $Nil. The Company's share of net loss in Tonalli at March 31, 2021 was $86,517 and as a result there was not impact to the Company's investment in Tonalli at March 31, 2021.

At December 31, 2020, the Company determined that the investment in Mexcan was impaired and an impairment loss of $42,380 was recorded on the Company's consolidated statement of operations and comprehensive loss in that period.

Shareholder loans	**March 31, 2021**	**December 31, 2020**
Balance, beginning of period	**$ 1,758,580**	$ 1,777,680
Contributions	**-**	63,625
Foreign exchange (gain) loss	**(35,735)**	(56,350)
Fair value adjustment	**-**	(26,375)
	1,722,845	1,758,580
Accrued interest	**598,660**	574,510
Balance, end of period	**$ 2,321,505**	$ 2,333,090

At March 31, 2021, Frontera has loaned $2,754,220 CAD equivalent (December 31, 2020 - $2,789,955 CAD equivalent) to Tonalli in the form of a shareholder loan pursuant to a shareholder loan agreement.

Per the terms of the shareholder loan agreement the loans (plus interest accrued to date) have a maturity date of December 31, 2024 and bears interest at a rate of Libor plus 2.75%.

Interest accrued at March 31, 2021 was $598,660 (December 31, 2020 - $574,510) CAD equivalent and has been included in shareholder loan at December 31, 2020.

At December 31, 2020, the fair value of the 2020 shareholder loan in the amount of $63,625 was determined to be $37,250. The difference of $26,375 between the fair value of the shareholder loan and the loan balance was recorded as an increase in the Company's equity investment in Tonalli in 2020. At December 31, 2019, the fair value of the shareholder loan outstanding was determined $2,602,930. 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.

11. Investment in associates (continued)

Summarized financial information

Tonalli

	March 31, 2021	December 31, 2020
Cash	$ 167,011	$ 108,706
Other current assets	755,574	839,123
Oil and gas properties	8,517,074	8,600,951
Other non current assets	18,591	18,591
Total assets	9,458,250	9,567,371
Current liabiltiies - payables and accruals	4,110,023	4,108,402
Long term liabilities	7,116,727	7,054,433
Total liabilities	11,226,749	11,162,835
For the three months ended March 31,	**2021**	**2020**
Loss before income taxes	$ (173,036)	$ (1,286,233)

Mexcan

For the 3 months ended March 31,	2021	2020
Net income	$ 4,410	$ 4,990

12. Long term debt

	March 31, 2021	December 31, 2020
Principal	$ 43,460	$ 60,000
Less: amortized below market interest benefit	-	(16,540)
	$ 43,460	$ 43,460

In 2020, the Company applied for and received a $60,000 term loan under the Canada Emergency Business Account (the "CEBA term loan"), which is one of the Canadian government's COVID-19 economic recovery measures. The CEBA term loan is non-interest bearing for the initial term ending on December 31, 2022 (the "Initial Term"). If the loan is paid off by December 31, 2022, a quarter of the loan will be forgiven. If the CEBA term loan is not fully repaid by the end of the Initial Term, then the unpaid balance will bear interest at the rate of 5% per annum, payable monthly, and will mature on December 31, 2025.

In calculating the fair value of the loan, the Company applied an effective interest rate of 17.0% which corresponds to a rate that the Company would have obtained for a similar investment. The $16,540 residual value was attributed to a governmental subsidy that was presented in the consolidated statement of operations in other income.

13. Commitments and contingencies

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 $6,000.

14. Supplemental cash flow information

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Receivables	$ (20,885)	$ (346,330)
Prepaids	(13,175)	(28,085)
Payables and accruals	116,810	(169,500)
	$ 82,750	$ (543,915)
Operating activities	$ 115,370	$ (204,020)
Investing activities	(32,620)	(339,895)
	$ 82,750	$ (543,915)
Taxes paid	$ -	$ -
Interest paid	$ -	$ -
Cash is comprised of:		
Cash	$ 16,745	$ 403,780
Cash on hand - Mexico	7,285	9,950
	$ 24,030	$ 413,730

15. Financial risk management

The Company is exposed to financial risk in a range of financial instruments including cash, 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 statement of financial position. All amounts outstanding at March 31, 2021 are expected to be collected in 2021.

The following table presents the aging of the Company's accounts receivable at March 31, 2021:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 18,505	$ 380	$ -	$ 7,240	$ 10,885

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.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance based on lifetime expected credit losses 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.

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, 2021, 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, 2021, the carrying amount of the Company's Mexican pesos denominated net monetary assets was approximately $80,850 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, 2021 would have affected the value of such balances by approximately CAD $810.

At March 31, 2021, the carrying amount of the Company's U.S. dollar denominated monetary assets was approximately US $2,210 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, 2021 would have affected the value of such balances by approximately CAD $22.

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.

14. Financial risk management (continued)

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 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, 2021 and March 31, 2020 cash have been classified as Level 1. The Tonalli purchase option is classified as Level 3.

15. Subsequent events

On May 10, 2021, the Company entered into a non-binding Letter of Intent with respect to a potential reverse takeover of the Company. (the "Proposed Transaction") by a private oil and gas company ("PrivateCo"). The Proposed Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Proposed Transaction on or before October 1, 2021, the completion of satisfactory due diligence, the funding of a $US750,000 Convertible Debenture Offering, the completion of a concurrent financing in relation to the Proposed Transaction in an expected range of US$20,000,000 to US$60,000,000, the purchase by the Company all of the outstanding shares in the joint venture company, Tonalli Energia S.A.P.I. de C.V. ("Tonalli") held by its joint venture partner, Grupo IDESA S.A. de C.V., the completion of a share consolidation, the approval of the TSX-V and other applicable regulatory authorities.

On May 10, 2021, the Company announced that pursuant to the LOI and prior to the execution of a definitive agreement, subject to TSXV acceptance, IFR intends to complete a Convertible Debenture for gross proceeds of US$750,000 pursuant to a secured convertible debenture private placement from PrivateCo. The Convertible Debenture will have a 3 year term from the date of issuance and bear interest at a rate of 10% per annum, calculated semi-annually, and payable on the Conversion Date (as defined below) or Maturity Date. The Convertible Debenture will also be secured by a promissory note and a share pledge agreement, both in respect of the shares of Tonalli held by the Company or its subsidiaries. There will be no other security over the assets of IFR in relation to the Convertible Debenture.

The Convertible Debenture will be convertible at the PrivateCo's option into post-Consolidation Common Shares of the Company ("Resulting Issuer Shares") at any time prior to the Maturity Date at a conversion price equal to a 10% discount to the deemed price of the Resulting Issuer Shares on completion of the Proposed Transaction (the "Conversion Price") provided that the minimum Conversion Price will equal $0.025 multiplied by the Consolidation ratio (being the number of pre-Consolidation Common Shares that will be exchanged for one post-Consolidation Common Share). At IFR's Option, IFR may prepay without penalty the principal amount of the Convertible Debenture in cash or in Common Shares at the Conversion Price in whole or in part. If the Proposed Transaction does not close by October 1, 2021, or the LOI is Terminated, IFR has the option to satisfy all or a portion of the principal amount and accrued and unpaid interest under the Convertible Debenture by converting the same to services. Upon conversion of such principal and interest into services, IFR will have satisfied its obligations under the Convertible Debenture.

On May 10, 2021, the Company announced a non-brokered Common Share Offering for gross proceeds of up to $1,000,000 at a price of $0.025 per Common Share. The closing of the Common Share Offering is subject to TSXV approval. The Common Shares issued pursuant to the shares for debt settlement will be subject to a four-month and one day hold period in accordance with applicable securities legislation.

On May 10, 2021. the Company announced that it has agreed to settle outstanding debt of $392,900 with certain officers and consultants of IFR by issuing 15,716,000 Common Shares of IFR at a deemed price of $0.025 per Common Share. The issuance of Common Shares in connection with the shares for debt settlement is expected to close in conjunction with the Company's non-brokered Common Share Offering and is subject to the approval of the TSXV. (See Note 9)