



International Frontier Resources Corporation
Unaudited Condensed Consolidated Interim Financial
Statements

For the Three and Nine-Month Periods Ended
September 30, 2021 and 2020

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International Frontier Resources Corporation
Condensed Consolidated Interim Financial Statements
For the three and nine-month periods ended September 30, 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 and nine-month periods ended September 30, 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 Interim Statements of Financial Position
(Unaudited)

As at:	September 30, 2021	December 31, 2020
Assets		
Current		
Cash and cash equivalents (Note 12)	\$ 953,595	\$ 44,600
Accounts receivable	7,215	30,240
Prepays	27,465	25,030
Funds held in trust (Note 7)	510,280	-
	<u>1,498,555</u>	<u>99,870</u>
Shareholder loans (Note 10)	2,450,275	2,333,090
Property, plant and equipment	-	2,535
	<u>\$ 3,948,830</u>	<u>\$ 2,435,495</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 196,325	\$ 670,275
Convertible debenture (Note 7)	986,160	-
Long term debt (Note 8)	45,940	43,460
	<u>1,228,425</u>	<u>713,735</u>
Shareholders' Equity		
Share capital (Note 3a)	58,671,850	57,294,860
Contributed surplus (Note 3b)	12,754,970	12,684,640
Deficit	(68,706,415)	(68,257,740)
	<u>2,720,405</u>	<u>1,721,760</u>
	<u>\$ 3,948,830</u>	<u>\$ 2,435,495</u>

Going concern (Note 2)
Subsequent event (Note 14)

On behalf of the Board of Directors

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

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

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

(Unaudited)

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Expenses				
General and administration	\$ 163,746	\$ 138,530	\$ 439,820	\$ 431,830
Pre-exploration costs	-	535	-	21,230
Depreciation	-	160	2,535	665
Share based compensation (Note 3b)	11,815	30,690	70,330	148,855
Gain on settlement of accounts payable (Note 4)	-	-	(55,000)	-
Other income (Note 9)	(7,561)	-	(55,540)	-
Loss on Tonalli purchase option	-	45,000	-	45,000
Loss on equity investment (Note 10)	41,675	38,560	41,675	1,093,560
	<u>209,675</u>	<u>253,475</u>	<u>443,820</u>	<u>1,741,140</u>
Finance income and expenses				
Interest income	20,565	20,465	59,170	69,165
Interest on convertible debenture (Note 7)	(20,710)	-	(25,875)	-
Accretion on long term debt (Note 8)	(825)	-	(2,480)	-
Foreign exchange gain (loss)	61,050	(75,060)	(35,670)	88,380
	<u>60,080</u>	<u>(54,595)</u>	<u>(4,855)</u>	<u>157,545</u>
Net loss and comprehensive loss	<u>\$ (149,595)</u>	<u>\$(308,070)</u>	<u>\$(448,675)</u>	<u>\$(1,583,595)</u>
Basic and diluted (Note 5)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>

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

International Frontier Resources Corporation
Condensed Consolidated Interim Statements of Changes in
Shareholders' Equity

(Unaudited)

	September 30, 2021		September 30, 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 3a)	40,000,000	1,000,000	69,540,554	690,405
Shares issued for debt (Note 3a)	15,716,000	392,900		-
Share Issue costs (Note 3a)		(15,910)		(14,355)
Balance, end of period	<u>299,107,939</u>	<u>\$ 58,671,850</u>	<u>243,391,939</u>	<u>\$ 57,294,860</u>
Contributed surplus				
Balance, beginning of period		\$ 12,684,640		\$ 12,511,795
Share based compensation expense (Note 3b)		70,330		148,855
Balance, end of period		<u>\$ 12,754,970</u>		<u>\$ 12,660,650</u>
Deficit				
Balance beginning of period		\$(68,257,740)		\$(63,816,475)
Net loss for the period		(448,675)		(1,583,595)
Balance, end of period		<u>\$(68,706,415)</u>		<u>\$(65,400,070)</u>
Total shareholder's equity		<u>\$ 2,720,405</u>		<u>\$ 4,555,440</u>

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

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

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Operating				
Net loss	\$ (149,595)	\$ (308,070)	\$ (448,675)	\$ (1,583,595)
Non-cash items:				
Depreciation	-	160	2,535	665
Accretion of long-term debt (Note 8)	825	-	2,480	-
Share based compensation (Note 3b)	11,815	30,690	70,330	148,855
Loss on Tonalli share purchase option	-	45,000	-	45,000
Gain on settlement of accounts payable (Note 4)	-	-	(55,000)	-
Loss on equity investment (Note 10)	41,675	38,560	41,675	1,093,560
Unrealized foreign exchange (gain) loss	(73,175)	76,055	23,505	(86,935)
Change in non-cash working capital (Note 12)	<u>361,253</u>	<u>(115)</u>	<u>(5,460)</u>	<u>(199,640)</u>
Cash provided by (used in) operating activities	<u>192,798</u>	(117,720)	<u>(368,610)</u>	(582,090)
Investing				
Shareholder loan (Note 10)	(100,445)	-	(100,445)	(67,775)
Funds held in trust (Note 7)	(485,775)	-	(485,775)	-
Change in non-cash working capital (Note 12)	<u>(23,630)</u>	<u>(24,100)</u>	<u>(68,415)</u>	<u>(80,315)</u>
Cash used in investing activities	<u>(609,850)</u>	(24,100)	<u>(654,635)</u>	(148,090)
Financing				
Shares issued for cash (Note 3a)	232,137	-	1,000,000	690,405
Shares issued for debt (Note 3a)	392,900	-	392,900	-
Share issuance costs (Note 3a)	-	-	(15,910)	(14,355)
Convertible debenture (Note 7)	-	-	910,830	-
Long term debt (Note 11)	-	-	-	40,000
Change in non-cash working capital (Note 12)	<u>(370,435)</u>	<u>-</u>	<u>(365,270)</u>	<u>-</u>
Cash provided by (used in) financing activities	<u>(254,602)</u>	-	<u>1,922,550</u>	716,050
Foreign exchange gain (loss) on cash held in foreign currencies	<u>(605)</u>	<u>(565)</u>	<u>9,690</u>	<u>(325)</u>
Net change in cash and cash equivalents	<u>(163,055)</u>	(142,385)	<u>908,995</u>	(14,455)
Cash and cash equivalents				
Beginning of period	<u>1,116,650</u>	222,980	<u>44,600</u>	95,050
End of period	<u>\$ 953,595</u>	\$ 80,595	<u>\$ 953,595</u>	\$ 80,595

Supplemental cash flow information (Note 12)

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

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2021 and 2020
(Unaudited)

1. Nature of operations

International Frontier Resources Corporation (the “Company”) is an independent Canadian publicly traded company, the principle business of which is to acquire, develop, exploit and produce oil and natural gas in Mexico.

The 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 1400, 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.

On May 10, 2021, the Company entered into a non-binding Letter of Intent (“LOI”) 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 US\$750,000 Convertible Debenture Offering (see note 7), 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 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 October 22, 2021 the Company signed and extension of the LOI to December 1, 2021.

2. Basis of preparation

These condensed interim consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2020 which were prepared in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The accounting policies, basis of measurement, critical accounting judgements and significant estimates used to prepare the annual consolidated financial statements as at and for the year ended December 31, 2020 have been applied in the preparation of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on November 26, 2021.

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

The Company’s financial statements are expressed in Canadian dollars, unless otherwise stated.

International Frontier Resources Corporation
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2. Basis of preparation and statement of compliance (continued)

Going concern

These financial statements have been prepared 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 \$448,675 and cash flows used in operations of \$358,920 for nine-month the period ended September 30, 2021 and working capital of \$1,302,230 as at September 30, 2021.

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.

3. Share capital

a) Authorized:

Unlimited common shares, Unlimited preferred shares

	Number of Shares		Amount
Balance at December 31, 2019	173,851,385	\$	56,618,810
Shares issued via rights offering (i)	69,540,554		690,405
Shares issue costs			(14,355)
Balance at December 31, 2020	243,391,939		57,294,860
Shares issued for cash (ii)	40,000,000		1,000,000
Shares issued for debt (iii)	15,716,000		392,900
Share issue costs (ii)			(15,910)
Balance at September 30, 2021	299,107,939	\$	58,671,850

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3. Share capital (continued)

- i) On January 17, 2020, the Company completed a 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 \$695,405. Share issue costs of \$14,355 were incurred in the period.
- ii) On June 29, 2021, the Company completed the first tranche of a non-brokered private placement of common shares. The Company issued 30,714,500 common shares of the Company at a price of \$0.025 per common share for gross proceeds of \$767,863. Finders' fees of \$15,910 were paid to arm's length parties acting in connection with this tranche of the offering.
- iii) On July 12, 2021, the Company completed the second tranche of a non-brokered private placement of common shares. The Company issued 9,285,500 common shares of the Company at a price of \$0.025 per common share, for gross proceeds of \$232,137. There were no finders' fees paid in connection with this second tranche of the Offering.
- iv) On July 12, 2021, the Company settled outstanding indebtedness with certain officers and consultants of the Company (the "Shares for Debt Settlement") through the issuance of common shares of the Company. Pursuant to the Shares for Debt Settlement, the Company issued a total of 15,716,000 common shares at a deemed price of \$0.025 per share in satisfaction of outstanding amounts of \$392,900. The common shares issued pursuant to the Shares for Debt Settlement will be subject to a hold period that expires on November 12, 2021.

b) Contributed surplus

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Balance, beginning of period	\$ 12,684,640	\$ 12,511,795
Share based compensation	<u>70,330</u>	<u>172,845</u>
Balance, end of period	<u>\$ 12,754,970</u>	<u>\$ 12,684,640</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 September 30, 2021, 10,575,000 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.

<u>Outstanding and exercisable</u>	<u>September 30,</u> <u>2021</u>		<u>December 31,</u> <u>2020</u>	
	<u>Weighted</u>		<u>Weighted</u>	
	<u>Number of</u> <u>Options</u>	<u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Number of</u> <u>Options</u>	<u>Average</u> <u>Exercise</u> <u>Price</u>
Balance, beginning of period	11,600,000	\$ 0.13	14,525,000	\$ 0.13
Expired/cancelled	<u>(1,025,000)</u>	<u>(0.14)</u>	<u>(2,925,000)</u>	<u>0.13</u>
Balance, end of period	<u>10,575,000</u>	<u>\$ 0.13</u>	<u>11,600,000</u>	<u>\$ 0.13</u>

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended September 30, 2021 and 2020

(Unaudited)

3. Share capital (continued)

September 30, 2021	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
Exercise Price					
\$0.08	6,600,000	2.70	\$ 0.08	4,450,000	\$ 0.08
\$0.16	300,000	1.91	\$ 0.16	300,000	\$ 0.16
\$0.22	3,675,000	1.18	\$ 0.22	3,675,000	\$ 0.22
	<u>10,575,000</u>	<u>2.15</u>	<u>\$ 0.13</u>	<u>8,425,000</u>	<u>\$ 0.13</u>

4. 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.

5. Per share amounts

	Three Months ended September 30, 2021		Nine Months Ended September 30, 2020	
	2021	2020	2021	2020
Net loss	\$ (149,595)	\$ (308,070)	\$ (448,675)	\$ (1,583,595)
Weighted average number of shares	<u>296,118,629</u>	<u>223,768,166</u>	<u>256,550,253</u>	<u>223,768,166</u>
Loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>

6. Related party transactions

At September 30, 2021, \$35,220 (2020 – \$292,895) was included in accounts payable and accrued liabilities owing to related parties. On July 12, 2021, the Company settled \$328,800 of the amounts owing via a debt to share conversion at a share price of \$0.025 per share (see Note 3a).

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.

7. Convertible debenture

	September 30, 2021	December 31, 2020
Convertible debenture at face value	\$ 910,830	\$ -
Accrued interest	25,875	-
Foreign exchange	49,455	-
Balance, end of period	<u>\$ 986,160</u>	<u>\$ -</u>

On June 11, 2021, the Company issued a 10% per annum secured convertible debenture (the "Convertible Debenture") for gross proceeds of \$750,000 USD (\$910,830 CAD equivalent). The Convertible Debenture has a 3-year term, maturing on June 11, 2024 (the "Maturity Date") and bears an interest rate of 10% per annum, calculated semi-annually, and payable on the conversion date or maturity date.

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7. Convertible debenture (continued)

The Convertible Debenture is 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 is no other security over the assets of the Company in relation to the Convertible Debenture.

At the Company's option, dependent upon the status of the Proposed Transaction, the Company may prepay without penalty the principal amount of the Convertible Debenture in cash or in Common Shares or convert the same to services.

Pursuant to the Company's successful completion of the Proposed Transaction, the Convertible Debenture will be convertible at 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 (the "Conversion Price") equal to a 10% discount to the deemed price of the Resulting Issuer Shares on completion of the Proposed Transaction, 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).

If the Proposed Transaction does not close by December 1, 2021, or the non-binding letter of intent regarding the Proposed Transaction is terminated, the Company also 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, the Company will have satisfied its obligations under the Convertible Debenture.

Pursuant to the terms of the debenture on July 5, 2021 \$400,000 USD (\$510,280 CAD equivalent) of the proceeds of the Debenture were advanced to a Service Company to be held in trust as a deposit (the "Deposit") for the drilling of a well. If the transactions described in the Letter of Intent are not completed for any reason by December 1, 2021, the Deposit shall revert back to, and be held by the Service Company for the benefit of the Lender and the amount owed on the Debenture will be reduced by the amount of the Deposit.

8. Long term debt

	September 30, 2021	December 31, 2020
Principal	\$ 43,460	\$ 60,000
Less: amortized below market interest benefit	-	(16,540)
Accretion	2,480	-
Balance, end of period	\$ 45,940	\$ 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 33% 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.

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9. Other income

At September 30, 2021, accounts receivable includes the benefit of Alberta investment tax credits for SR&ED expenses incurred in 2018 and approved and recoverable in 2021 in the amount of \$55,540. This benefit is presented as other income in the statement of comprehensive loss.

10. Investment in associates

At September 30, 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, 2020 and September 30, 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 cumulative unrecognized net loss to date is \$467,865 (nine months ended September 30, 2021 - \$306,995) and as a result there was no impact to the Company's investment in Tonalli at September 30, 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.

	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 1,758,580	\$ 1,777,680
Contributions	100,445	63,625
Foreign exchange (gain) loss	(8,870)	(56,350)
Fair value adjustment	(41,675)	(26,375)
	1,808,480	1,758,580
Accrued interest	641,795	574,510
Balance, end of period	\$ 2,450,275	\$ 2,333,090

At September 30, 2021, Frontera has loaned \$2,881,530 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 September 30, 2021, was \$641,795 (December 31, 2020 - \$574,510) CAD equivalent and has been included in shareholder loan at September 30, 2021.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

10. Investment in associates (continued)

At September 30, 2021 the fair value of the 2021 shareholder loan in the amount of \$100,445 was determined to be \$58,770 (December 31, 2020 - \$37,250). The difference of \$41,675 (December 31, 2020 - \$26,375) between the fair value of the shareholder loan and the loan balance was recorded as a loss in the Company's equity investment in Tonalli in 2021.

Summarized financial information

Tonalli

	September 30, 2021	December 31, 2020
Cash	\$ 45,541	\$ 108,706
Other current assets	723,496	839,123
Oil and gas properties	8,411,541	8,600,951
Other non current assets	19,247	18,591
Total assets	9,199,826	9,567,371
Current liabilities - payables and accruals	4,115,059	4,108,402
Long term liabilities	7,294,181	7,054,433
Total liabilities	11,409,240	11,162,835

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net Loss	\$ (378,627)	\$ (832,590)	\$ (613,990)	\$ (2,118,820)

Mexcan

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income	\$ 716	\$ 3,830	\$ 3,268	\$ 8,820

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11. 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>Nine months ended September 30, 2021</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 431,500	\$ 8,320	\$ 439,820
Depreciation	2,535	-	2,535
Share based compensation	70,330	-	70,330
Gain on settlement of accounts payable	(55,000)	-	(55,000)
Other income	(55,540)	-	(55,540)
Loss on equity investment	-	41,675	41,675
	<u>393,825</u>	<u>49,995</u>	<u>443,820</u>
Interest income	-	59,170	59,170
Accretion of long-term debt	(2,480)	-	(2,480)
Interest expense	(25,875)	-	(25,875)
Foreign exchange gain	(22,310)	(13,360)	(35,670)
	<u>(50,665)</u>	<u>45,810</u>	<u>(4,855)</u>
Net loss and comprehensive loss	<u>\$ (444,490)</u>	<u>\$ (4,185)</u>	<u>\$ (448,675)</u>

<u>Three months ended September 30, 2021</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 161,471	\$ 2,275	\$ 163,746
Depreciation	-	-	-
Share based compensation	11,815	-	11,815
Gain on settlement of accounts payable	-	-	-
Other income	(7,561)	-	(7,561)
Loss on equity investment	-	41,675	41,675
	<u>165,725</u>	<u>43,950</u>	<u>209,675</u>
Interest income	-	20,565	20,565
Accretion of long-term debt	(825)	-	(825)
Interest expense	(20,710)	-	(20,710)
Foreign exchange gain (loss)	(13,515)	74,565	61,050
	<u>(35,050)</u>	<u>95,130</u>	<u>60,080</u>
Net loss and comprehensive loss	<u>\$ (200,775)</u>	<u>\$ 51,180</u>	<u>\$ (149,595)</u>

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For the three and nine-month periods ended September 30, 2021 and 2020

(Unaudited)

11. Segmented information (continued)

<u>Nine months ended September 30, 2020</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 424,635	\$ 7,195	\$ 431,830
Pre-exploration costs	21,230	-	21,230
Depreciation	665	-	665
Share based compensation	148,855	-	148,855
Loss on Tonalli purchase option	45,000	-	45,000
Loss on equity investment	-	1,093,560	1,093,560
	<u>640,385</u>	<u>1,100,755</u>	<u>1,741,140</u>
Interest income	-	69,165	69,165
Foreign exchange gain	<u>2,550</u>	<u>85,830</u>	<u>88,380</u>
	<u>2,550</u>	<u>154,995</u>	<u>157,545</u>
Net loss and comprehensive loss	<u>\$ (637,835)</u>	<u>\$ (945,760)</u>	<u>\$ (1,583,595)</u>

<u>Three months ended September 30, 2020</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 137,370	\$ 1,160	\$ 138,530
Pre-exploration costs	535	-	535
Depreciation	160	-	160
Share based compensation	30,690	-	30,690
Loss on Tonalli purchase option	45,000	-	45,000
Loss on equity investment	-	38,560	38,560
	<u>213,755</u>	<u>39,720</u>	<u>253,475</u>
Interest income	-	20,465	20,465
Foreign exchange (loss)	-	(75,060)	(75,060)
	-	<u>(54,595)</u>	<u>(54,595)</u>
Net loss and comprehensive loss	<u>\$ (213,755)</u>	<u>\$ (94,315)</u>	<u>\$ (308,070)</u>

b) Assets

As at September 30, 2021

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total Assets	<u>\$ 1,486,548</u>	<u>\$ 2,462,282</u>	<u>\$ 3,948,830</u>

As at December 31, 2020

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total Assets	<u>\$ 84,830</u>	<u>\$ 2,350,665</u>	<u>\$ 2,435,495</u>

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12. Supplemental cash flow information

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Receivables	\$ 411,378	\$ (15,805)	\$ 23,025	\$ 11,480
Prepays	8,685	8,795	(2,435)	(80,005)
Interest receivable on shareholder loans	(23,630)	-	(68,415)	-
Payables and accruals	(451,710)	-	(418,950)	-
Interest payable on Convertible Debenture	22,465	(17,205)	27,630	(211,430)
	<u>\$ (32,812)</u>	<u>\$ (24,215)</u>	<u>\$ (439,144)</u>	<u>\$ (279,955)</u>
Operating activities	<u>\$ 361,253</u>	<u>\$ (115)</u>	<u>\$ (5,460)</u>	<u>\$ (199,640)</u>
Investing activities	<u>\$ (23,630)</u>	<u>\$ (24,100)</u>	<u>\$ (68,415)</u>	<u>\$ (80,315)</u>
Financing activities	<u>\$ (370,435)</u>	<u>\$ -</u>	<u>\$ (365,270)</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cash and cash equivalents are comprised of:

	As at September 30,	
	2021	2020
Cash on hand - Canada	\$ 941,590	\$ 74,200
Cash on hand - Mexico	12,005	6,395
	<u>\$ 953,595</u>	<u>\$ 80,595</u>

13. 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 September 30, 2021, are expected to be collected in Q4 2021.

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13. Financial risk management (continued)

The following table presents the aging of the Company's accounts receivable at September 30, 2021:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 7,215	\$ -	\$ -	\$ 7,215	\$ -

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 September 30, 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 period-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 September 30, 2021, the carrying amount of the Company's Mexican pesos denominated net monetary assets was approximately \$182,985 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 September 30, 2021, would have affected the value of such balances by approximately CAD \$1,830.

At September 30, 2021, the carrying amount of the Company's U.S. dollar denominated monetary assets was approximately US \$71,770. 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 September 30, 2021 would have affected the value of such balances by approximately CAD \$710.

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.

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13. Financial risk management (continued)

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 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 September 30, 2021, and September 30, 2020 cash have been classified as Level 1.

14. Subsequent events

On October 22, 2021, the Company announced that an extension to December 1, 2021 has been signed to the Letter of Intent dated May 3, 2021 with respect to the potential reverse takeover of the Company by a PrivateCo.