



International Frontier Resources Corporation
Interim Unaudited Condensed Consolidated Financial
Statements

For the Six and Three Month Periods Ended
June 30, 2022 and 2021

Contents

	<u>Page</u>
National Instrument 51-102 Notice	3
Condensed Consolidated Statements of Financial Position	4
Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)	5
Condensed Consolidated Interim Statements of Changes in Equity	6
Condensed Consolidated Interim Statements of Cash Flows	7
Notes to the Consolidated Interim Financial Statements	8-23

International Frontier Resources Corporation
Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021
(Unaudited)

National Instrument 51-102 Notice

The condensed consolidated interim financial statements of International Frontier Resources Corporation (“the Company”) For the six and three month periods ended June 30, 2022 and 2021 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:	June 30, 2022	December 31, 2021
---------------	--------------------------	----------------------

Assets

Current

Cash and cash equivalents (Note 13)	\$ 99,975	\$ 306,330
Accounts receivable	9,370	12,145
Prepays and deposits	28,620	34,545
Deposits (Note 4)	-	505,480
Shareholder loans (Note 11)	-	251,955
	137,965	1,110,455
 Shareholder loans (Note 11)	 3,162,420	 2,437,505
	\$ 3,300,385	\$ 3,547,960

Liabilities

Current

Accounts payable and accrued liabilities	\$ 391,570	\$ 306,330
 Convertible debenture (Note 4)	 160,525	 1,000,845
Long term debt (Note 6)	48,430	46,770
	600,525	1,353,945

Shareholders' Equity

Share capital (Note 7a)	58,671,850	58,671,850
Contributed surplus (Note 7b)	12,789,650	12,766,785
Deficit	(68,761,640)	(69,244,620)
	2,699,860	2,194,015
	\$ 3,300,385	\$ 3,547,960

Going concern (Note 2)

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 Income (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Expenses				
General and administration	\$ 143,075	\$ 145,274	\$ 306,995	\$ 276,074
Depreciation	-	2,035	-	2,535
Share based compensation (Note 7b)	10,005	28,970	22,865	58,515
Gain on settlement of convertible debenture (Note 4)	(518,445)	-	(518,445)	(47,979)
Gain on settlement of line of credit (Note 5)	(388,035)	-	(388,035)	-
Impairment of investment in associate (Note 11)	83,850	-	152,850	-
Other income	-	(47,979)	-	-
Gain on settlement of accounts payable	-	-	-	(55,000)
	<u>(668,050)</u>	<u>128,300</u>	<u>(423,770)</u>	<u>234,145</u>
Finance income and expenses				
Interest income	32,945	19,170	57,360	38,605
Accretion on long term debt (Note 6)	(830)	(1,655)	(1,660)	(1,655)
Interest on convertible debenture (Note 4)	(21,680)	(5,165)	(46,545)	(5,165)
Interest on line of credit (Note 5)	(6,820)	-	(6,820)	-
Foreign exchange gain (loss)	<u>98,520</u>	<u>(52,600)</u>	<u>56,875</u>	<u>(96,720)</u>
	102,135	(40,250)	59,210	(64,935)
Net income (loss) and comprehensive income (loss)	<u>\$ 770,185</u>	<u>\$ (168,550)</u>	<u>\$ 482,980</u>	<u>\$ (299,080)</u>
Net loss per share (Note 9)				
Basic and diluted	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>

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)

	June 30, 2022		June 30, 2021	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	299,107,939	\$ 58,671,850	243,391,939	\$ 57,294,860
Shares issued for cash (Note 7a)		-	30,714,500	767,863
Share issue costs (Note 7a)		-)15,910)
Balance, end of period	<u>299,107,939</u>	<u>\$ 58,671,850</u>	<u>274,106,139</u>	<u>\$ 58,046,813</u>
Contributed surplus				
Balance, beginning of period		\$ 12,766,785		\$ 12,684,640
Share based compensation expense (Note 7b)		<u>22,865</u>		<u>58,515</u>
Balance, end of period		<u>\$ 12,789,650</u>		<u>\$ 12,743,155</u>
Deficit				
Balance beginning of period		\$ (69,244,620)		\$ (68,257,740)
Net income (loss) for the period		<u>482,980</u>		<u>(299,080)</u>
Balance, end of period		<u>\$ (68,761,640)</u>		<u>\$ (68,556,820)</u>
Total shareholder's equity		<u>\$ 2,699,860</u>		<u>\$ 2,233,148</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating				
Net income (loss)	\$ 770,185	\$ (168,550)	\$ 482,980	\$ (299,080)
Non-cash items:				
Depreciation	-	2,035	-	2,535
Accretion of long term debt (Note 6)	830	1,655	1,660	1,655
Share based compensation (Note 7b)	10,005	28,970	22,865	58,515
Gain on settlement of convertible debenture (Note 4)	(518,445)	-	(518,445)	-
Gain on settlement of line of credit (Note 5)	(388,035)	-	(388,035)	-
Gain on settlement of accounts payable	-	-	-	(55,000)
Impairment of investment in associate (Note 11)	85,350	-	152,850	-
Unrealized foreign exchange (gain) loss	(100,570)	34,550	(60,050)	86,715
Change in non-cash operating capital (Note 13)	<u>49,385</u>	<u>(482,083)</u>	<u>93,940</u>	<u>(366,713)</u>
Cash flow used in operations	(91,295)	(583,423)	(212,235)	(571,373)
Investing				
Shareholder loans (Note 11)	(270,795)	-	(490,160)	-
Drilling deposit (Note 4)	376,630	-	505,480	-
Change in non-cash investing capital (Note 13)	<u>(38,215)</u>	<u>(12,165)</u>	<u>(66,540)</u>	<u>(44,785)</u>
Cash flow from (used) in investing activities	67,620	(12,165)	(51,220)	(44,785)
Financing				
Convertible debenture (Note 4)	(374,940)	936,255	(374,940)	936,255
Line of credit (Note 5)	380,125	-	380,125	-
Long term debt (Note 6)	-	767,863	-	767,863
Share issuance costs	-	(15,910)	-	(15,910)
Change in non-cash operating capital (Note 13)	<u>29,810</u>	<u>-</u>	<u>54,680</u>	<u>-</u>
Cash flow from financing activities	34,995	1,688,208	59,865	1,688,208
Foreign exchange gain (loss) on cash held in foreign currencies	<u>(885)</u>	<u>-</u>	<u>(2,765)</u>	<u>-</u>
Net change in cash and cash equivalents	10,435	1,092,620	(206,355)	1,072,050
Cash and cash equivalents				
Beginning of period	<u>89,540</u>	<u>24,030</u>	<u>306,330</u>	<u>44,600</u>
End of period	<u>\$ 99,975</u>	<u>\$ 1,116,650</u>	<u>\$ 99,975</u>	<u>\$ 1,116,650</u>

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

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(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 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.

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 5), the completion of a concurrent financing by PrivateCo in relation to the Proposed Transaction, the purchase by the Company of 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 August 17, 2022, the Company announced that Tonalli had received formal approval from the Mexican energy regulator, Comision Nacional de Hidrocarburos (“CNH”) for a transfer of ownership of the Tecolutla Block. In conjunction with the approval and upon closing of a private transaction, Tonalli’s new ownership structure will be 50% IFR and 50% Jaguar Exploración y Producción de Hidrocarburos, SAPI. de C.V (“Jaguar”). As a result, Jaguar will also own a 50% interest in the Tecolutla Block and act as operator of record in front of the CNH. The Company continues to work toward the successful completion of the Proposed Transaction with PrivateCo. The parties have negotiated substantially all of terms of the definitive agreement.

2. Basis of preparation and statement of compliance

Statement of compliance

The consolidated financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). A summary of the Company’s significant accounting policies is presented in Note 3.

These financial statements were approved and authorized for issue by the Board of Directors on August 25, 2022.

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.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

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 income of \$482,980 and cash flows used in operations of \$212,235 for the period ended June 30, 2022 and a working capital deficit of \$253,605 as at June 30, 2022. The Company's only revenue generating activities are related to its investment in Tonalli which has been incurring losses and using cash in its operating activities since inception.

The Company's ability to continue as a going concern requires further development and successful operations of Tonalli, which is dependent on the Company's ability to identify and raise sufficient additional sources of capital. There is no guarantee that the operations and further development of Tonalli will be successful, or that sufficient additional sources, if any, of capital will be obtained. These conditions indicate that a material uncertainty exists that that may cast significant doubt about the Company's ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these financial statements and that the Company will meet its operating and capital requirements. 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.

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.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

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

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.

- 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.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

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.

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The pandemic and measures taken to limit its spread have contributed to significant volatility in global financial markets. The pandemic has adversely impacted global commercial activity creating economic uncertainty and volatility in commodity markets.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on financial markets on a macro-scale and any new information that may emerge concerning the effectiveness of available vaccines and the severity and spread of the virus. The pandemic presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

The Company's financial performance, operations and business are particularly sensitive to volatility in the demand for and prices of crude oil and natural gas. The potential direct and indirect impact of the economic downturn related to COVID-19 has been considered in management's estimates and assumptions at period end and have been reflected in the Company's results with any significant changes described in the relevant financial statements note.

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 2022 and beyond.

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, 2021.

International Frontier Resources Corporation
Notes to the Condensed Consolidated Interim Financial Statements
For the six and three month periods ended June 30, 2022 and 2021
(Unaudited)

3. Summary of significant accounting policies

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, 2021.

4. Convertible debenture

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Convertible debenture at face value	\$ 910,830	\$ 910,830
Accrued interest on debenture at face value	93,265	46,660
Foreign exchange	49,825	43,355
Repayment of principal balance	(374,940)	-
Gain on settlement of convertible debenture	(518,445)	-
Balance, end of period	<u>\$ 160,525</u>	<u>\$ 1,000,845</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.

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).

Pursuant to the terms of the debenture on July 5, 2021, \$400,000 USD (\$505,480 CAD equivalent at December 31, 2021) 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. On March 8, 2022, \$100,000 USD of the amounts held in trust was released to the Company for its own account. The remaining \$300,000 USD was released to the service company for the benefit of the lender on May 31, 2022. In conjunction with the release of the funds held in trust, the Company made a principal repayment in the amount of \$300,000 USD against the outstanding balance of the Convertible Debenture and the parties agreed that the outstanding principle of the Convertible Debenture shall be reduced by an additional \$100,000 USD plus accrued interest at June 30, 2022.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

4. Convertible debenture (continued)

On April 8, 2022, the parties entered into a Convertible Debenture Amendment Agreement (the “**Amendment Agreement**”) where the lender agreed to the forgiveness of \$225,000 USD of the remaining balance of the Convertible Debenture plus any accrued interest owing leaving a remaining balance of \$125,000 USD as at June 30, 2022.

At June 30, 2022 and pursuant to the above the Company recorded a total gain on settlement in the amount of \$518,445, which represents \$417,400 CAD equivalent (\$325,000 USD) in total principal forgiven and \$101,045 CAD equivalent (\$78,715 USD) in accrued interest forgiven as at June 30, 2022.

Commencing on June 30, 2022, the Company has the option to convert the remaining balance of the debenture in the amount of \$125,000 USD into the Company’s common shares at a conversion price of the greater of either CAD\$0.05 per share or the deemed pre-consolidated price of the common shares of the Company for the purposes of the Proposed Transaction. The issuance of common shares upon conversion per the amended convertible debenture is subject to approval of the TSXV.

5. Line of credit

	June 30, 2022	December 31, 2021
Principal	\$ 380,125	\$ -
Accrued interest	7,910	-
Gain on settlement of line of credit	(388,035)	-
Balance, end of period	\$ -	\$ -

On April 4, 2022 the Company entered into a Line of Credit Agreement (the “**Agreement**”) where PrivateCo has agreed to provide a working capital line to the Company of up to \$300,000 USD in the form of a non-revolving unsecured Line of Credit bearing interest at 10.5%. The loan has a term of one year and is forgivable if a definitive agreement with respect to the Company’s Proposed Transaction is not signed by June 30th, 2022. At June 30, 2022, a definitive agreement had not yet been signed and the outstanding balance of the loan plus accrued interest to June 30, 2022 was forgiven as per the Agreement and a total gain on settlement of \$388,035 CAD equivalent, which represents \$380,125 CAD equivalent (\$300,000 USD) in total principal forgiven and \$7,910 CAD equivalent (\$6,625 USD) in accrued interest forgiven at June 30, 2022.

6. Long term debt

	June 30, 2022	December 31, 2021
Principal	\$ 60,000	\$ 60,000
Less: amortized below market interest benefit	(16,540)	(16,540)
Accretion	4,970	3,310
Balance, end of period	\$ 48,430	\$ 46,770

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, 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.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

6. Long term debt (continued)

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 amount of \$16,540, which represents the residual value, was attributed to a governmental subsidy that is presented as other income in the condensed consolidated interim statements of operations and comprehensive loss.

7. Share capital

a) Authorized:

Unlimited common shares, Unlimited preferred shares

	Number of Shares	Amount
Balance at December 31, 2020	243,391,939	\$ 57,294,860
Shares issued for cash (ii), (iii)	40,000,000	1,000,000
Shares issued for debt (iv)	15,716,000	392,900
Share issue costs (ii)		(15,910)
Balance at December 31, 2021 and June 30, 2022	299,107,939	\$ 58,671,850

- i) 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.
- ii) 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.
- iii) 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.

b) Contributed surplus

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Contributed Surplus		
Balance, beginning of period	\$ 12,766,785	\$ 12,684,640
Share based compensation	22,865	82,145
Balance, end of period	<u>\$ 12,789,650</u>	<u>\$ 12,766,785</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, 2022, 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.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

7. Share capital (continued)

	June 30, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	10,575,000	\$ 0.13	11,600,000	\$ 0.13
Expired/cancelled	-	-	(1,025,000)	(0.14)
Balance, end of period	10,575,000	\$ 0.13	10,575,000	\$ 0.13

June 30, 2022		Options Outstanding			Options Exercisable	
Exercise Price	Options	Weighted Average Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price	
\$0.08	6,600,000	1.95	\$ 0.08	6,600,000	\$ 0.08	
\$0.16	300,000	1.16	\$ 0.16	300,000	\$ 0.16	
\$0.22	3,675,000	0.43	\$ 0.22	3,675,000	\$ 0.22	
	10,575,000	1.40	\$ 0.13	10,575,000	\$ 0.13	

8. 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, 2022, the Company's capital as defined above is as follows:

	June 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 99,975	\$ 306,330
Accounts receivable	9,370	12,145
Deposits	-	505,480
Shareholder loans	-	251,955
Accounts payables and accrued liabilities	(391,570)	(306,330)
	\$ (282,225)	\$ 769,580

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 7.

International Frontier Resources Corporation
Notes to the Condensed Consolidated Interim Financial Statements
For the six and three month periods ended June 30, 2022 and 2021
(Unaudited)

8. Capital management (continued)

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.

9. Per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	
Net Loss	\$ 770,185	\$ (168,550)	\$ 482,980	\$ (299,080)
Weighted average number of shares	299,107,939	243,560,238	299,107,939	243,560,238
Loss per share	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)

10. Related party transactions

At June 30, 2022, \$66,475 (December 31, 2021– \$Nil) was included in accounts payable and accrued liabilities owing to related parties.

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.

11. Investment in associates

At June 30, 2022, 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.

During the year ended December 31, 2020, the Company incurred losses on its equity investment in Tonalli of \$3,586,585, which resulted in the Company's share of cumulative losses exceeding its investment in Tonalli. As a result, the associated investment in Tonalli became \$Nil at December 31, 2020. For the period ended June 30, 2022, the Company incurred a loss on its equity investment in Tonalli of \$198,805 (2021 – losses of \$531,990). As at June 30, 2022, the Company's cumulative unrecognized share of net losses in Tonalli is \$922,534 (2021 – \$723,729).

During the year ended 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. For the period ended June 30, 2022, the Company's investment in Mexcan continued to be deemed to be impaired.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

11. Investment in associates (continued)

Shareholder loans

	June 30, 2022	December 31, 2021
Short Term Loans		
Balance, beginning of period	\$ 246,835	\$ -
Contributions	-	453,185
Foreign exchange (gain) loss	(4,685)	(4,570)
Fair value adjustment	-	(201,780)
Reclassify to long term debt	(242,150)	-
	-	246,835
Accrued interest	6,315	5,120
Reclassify to long term debt	(6,315)	-
Balance, end of period	\$ -	\$ 251,955

At June 30, 2022 short term loans outstanding at December 31, 2021 have been reclassified as long term. As a result, total principal of 242,150 and interest accrued of \$6,315 at June 30, 2022 have been included in long term loans at June 30, 2022.

	June 30, 2022	December 31, 2021
Long Term Loans		
Balance, beginning of period	\$ 1,780,600	\$ 1,758,580
Reclassification of short-term loans	242,150	-
Contributions	490,160	68,970
Foreign exchange (gain) loss	60,650	(18,760)
Fair value adjustment	(152,850)	(28,190)
	2,420,710	1,780,600
Accrued interest	735,395	656,905
Reclassification of short-term loans	6,315	-
Balance, end of period	\$ 3,162,420	\$ 2,437,505

At June 30, 2022, Frontera has loaned \$3,835,055 CAD equivalent (December 31, 2021 - \$3,288,780 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 bear interest at a rate of Libor plus 2.75%.

Interest accrued at June 30, 2022, was \$741,710 (December 31, 2021 - \$656,905) CAD equivalent and has been included in shareholder loan at June 30, 2022.

During the period ended June 30, 2022, Frontera extended a new shareholder loan in the amount of \$490,160 (December 31, 2021 - \$68,970) to Tonalli. The fair value of the loan was determined to be \$346,640 (December 31, 2021 - \$40,780). The difference of \$152,850 (December 31, 2021 - \$28,190) 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 and impaired in the condensed consolidated interim statements of operations and comprehensive loss.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

12. Segmented information

The Company's activities are conducted in two geographic segments: Canada and Mexico. All activities relate to exploration for and development of petroleum and natural gas resources.

a) Net loss and comprehensive loss

<u>Six months ended June 30, 2022</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 290,985	\$ 16,010	306,995
Share based compensation	22,865	-	22,865
Gain on settlement of convertible debenture	(518,445)	-	(518,445)
Gain on settlement of line of credit	-	(388,035)	(388,035)
Impairment of investment in associate	-	152,850	152,850
	<u>(204,595)</u>	<u>(219,175)</u>	<u>(423,770)</u>
Finance income and expenses			
Interest income	-	57,360	57,360
Accretion on long term debt	(1,660)	-	(1,660)
Interest on convertible debenture	(46,545)	-	(46,545)
Interest on line of credit	-	(6,820)	(6,820)
Foreign exchange gain (loss)	125,775	(68,900)	56,875
	<u>77,570</u>	<u>(18,360)</u>	<u>59,210</u>
Net income and comprehensive income	<u>\$ 282,165</u>	<u>\$ 200,815</u>	<u>\$ 482,980</u>

<u>Three months ended June 30, 2022</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	139,068	4,007	143,075
Share based compensation	10,005	-	10,005
Gain on settlement of convertible debenture	(518,445)	-	(518,445)
Gain on settlement of line of credit	-	(388,035)	(388,035)
Impairment of investment in associate	-	85,350	85,350
	<u>(369,372)</u>	<u>(298,678)</u>	<u>(668,050)</u>
Finance income and expenses			
Interest income	-	32,945	32,945
Accretion on long term debt	(830)	-	(830)
Interest on convertible debenture	(21,680)	-	(21,680)
Interest on line of credit	-	(6,820)	(6,820)
Foreign exchange gain (loss)	113,971	(15,451)	98,520
	<u>91,461</u>	<u>10,674</u>	<u>102,135</u>
Net income and comprehensive income	<u>\$ 460,833</u>	<u>\$ 309,352</u>	<u>\$ 770,185</u>

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

12. Segmented information (continued)

<u>Six months ended June 30, 2021</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 270,029	\$ 6,045	\$ 276,074
Depreciation	2,535	-	2,535
Share based compensation	58,515	-	58,515
Gain on settlement of accounts payable	(55,000)	-	(55,000)
Other income	(47,979)	-	(47,979)
	<u>228,100</u>	<u>6,045</u>	<u>234,145</u>
Finance income and expenses			
Interest income	-	38,605	38,605
Accretion on long term debt	(1,655)	-	(1,655)
Interest on convertible debenture	(5,165)	-	(5,165)
Foreign exchange loss	(8,795)	(87,925)	(96,720)
	<u>(15,615)</u>	<u>(49,320)</u>	<u>(64,935)</u>
Net loss and comprehensive loss	<u>\$ (243,715)</u>	<u>\$ (55,365)</u>	<u>\$ (299,080)</u>
<u>Three months ended June 30, 2021</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	141,527	3,747	145,274
Depreciation	2,035	-	2,035
Share based compensation	28,970	-	28,970
Impairment of investment in associate	(47,979)	-	(47,979)
	<u>124,553</u>	<u>3,747</u>	<u>128,300</u>
Finance income and expenses			
Interest income	-	19,170	19,170
Accretion on long term debt	(1,655)	-	(1,655)
Interest on convertible debenture	(5,165)	-	(5,165)
Foreign exchange loss	(8,751)	(43,849)	(52,600)
	<u>(15,571)</u>	<u>(24,679)</u>	<u>(40,250)</u>
Net loss and comprehensive loss	<u>\$ (140,124)</u>	<u>\$ (28,426)</u>	<u>\$ (168,550)</u>

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

12. Segmented information (continued)

b) Assets

As at June 30, 2022

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total assets	\$ 47,300	\$ 3,253,085	\$ 3,300,385

As at December 31, 2021

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total assets	\$ 846,885	\$ 2,701,075	\$ 3,547,960

13. 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,	
	2022	2021	2022	2021
Receivables	\$ (40,770)	\$ (412,254)	\$ (63,765)	\$ (433,139)
Prepays	8,415	2,055	5,925	(11,120)
Payables and accruals	73,335	(84,049)	139,920	32,761
	<u>\$ 40,980</u>	<u>\$ (494,248)</u>	<u>\$ 82,080</u>	<u>\$ (411,498)</u>
Operating activities	<u>\$ 49,385</u>	<u>\$ (482,083)</u>	<u>\$ 93,940</u>	<u>\$ (366,713)</u>
Investing activities	<u>\$ (38,215)</u>	<u>\$ (12,165)</u>	<u>\$ (66,540)</u>	<u>\$ (44,785)</u>
Financing activities	<u>\$ 29,810</u>	<u>\$ -</u>	<u>\$ 54,680</u>	<u>\$ -</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,	
	2022	2021	2022	2021
Cash on hand - Canada	\$ 26,405	\$ 1,109,020	\$ 26,405	\$ 1,109,020
Cash on hand – Mexico	73,570	7,630	73,570	7,630
	<u>\$ 99,975</u>	<u>\$ 1,116,650</u>	<u>\$ 99,975</u>	<u>\$ 1,116,650</u>

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

14. Financial risk management

The Company is exposed to financial risk in a range of financial instruments including cash, accounts receivable, funds held in trust 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.

The following table presents the aging of the Company's accounts receivable at June 30, 2022:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 9,370	\$ -	\$ 9,370	\$ -	\$ -

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 June 30, 2022, 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.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

14. Financial risk management (continued)

At June 30, 2022, the carrying amount of the Company's Mexican pesos denominated net monetary assets was approximately \$35,370 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, 2022, would have an impact on net loss of approximately CAD \$650.

At June 30, 2022, the carrying amount of the Company's U.S. dollar denominated monetary assets was approximately US \$84,235. 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, 2022 would have an impact on net loss of approximately CAD \$350.

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 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.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the six and three month periods ended June 30, 2022 and 2021

(Unaudited)

14. Financial risk management (continued)

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, 2022, and December 31, 2021 cash have been classified as Level 1.