

TONALLI ENERGIA S.A.P.I. DE C.V.

SHARE OPTION AGREEMENT

AMONG

GRUPO IDESA, S.A. DE C.V.

(IDESA)

AND

INTERNATIONAL FRONTIER RESOURCES CORPORATION

(IFR)

AND

PETRO FRONTERA, S.A.P.I. DE C.V.

(Frontera)

AND

TONALLI ENERGIA S.A.P.I. DE C.V.

(Corporation)

September 25, 2018

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SHARE OPTION AGREEMENT

THIS AGREEMENT made as of the 25th day of September, 2018 (the “**Execution Date**”)

AMONG:

GRUPO IDESA, S.A. DE C.V., a body corporate incorporated under the laws of the United Mexican States (hereinafter referred to as “**IDESA**”)

- and -

INTERNATIONAL FRONTIER RESOURCES CORPORATION, a body corporate incorporated under the laws of the Province of Alberta (hereinafter referred to as “**IFR**”)

- and -

PETRO FRONTERA, S.A.P.I. DE C.V., a body corporate incorporated under the laws of the United Mexican States (hereinafter referred to as “**Frontera**”)

- and -

TONALLI ENERGIA S.A.P.I. DE C.V., a body corporate incorporated under the laws of the United Mexican States (hereinafter referred to as the “**Corporation**”)

WHEREAS IDESA has agreed to grant an option to purchase the IDESA Shares to Frontera, subject to and in accordance with the terms and conditions hereof.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties hereby agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 **Definitions**

In this Agreement, including the recitals and the Schedules, the following terms have the following meanings:

- (a) “**Affiliate**” means, with respect to a Person, any other Person controlling, controlled by or under common control with such Person where “**control**”, “**controlling**” or “**controlled**” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of another Person, whether through the ownership of voting securities or by contract, partnership agreement, trust arrangement or other means, either directly or indirectly, that results in control in fact, provided that direct or indirect ownership of shares of a corporation carrying not less than 50% of the voting rights shall constitute control of such corporation, and further provided that prior to Closing, but not

thereafter, the Corporation will be an Affiliate of IDESA, and both prior and after Closing, the Corporation will be an Affiliate of IFR.

- (b) “**Agreement**” means this Share Option Agreement including the recitals hereto, and all schedules hereto.
- (c) “**Applicable Law**” means all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise) including judgments, orders and decrees of courts, commissions or bodies exercising similar functions that apply to the Assets, the Parties, the IDESA Shares or the Common Shares.
- (d) “**Arm’s Length Parties**” means, in relation to IFR, an officer, director, other Insider or Control Person (as such terms are defined in the policies of the TSXV) of IFR, and any associates or Affiliates of any of such Persons.
- (e) “**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests and all other assets of the Corporation including, without limitation, any Other License Contracts, if any.
- (f) “**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta.
- (g) “**Claim**” means any claim, demand, action, lawsuit, proceeding, arbitration or governmental proceeding or investigation.
- (h) “**Closing**” means the transfer of the IDESA Shares to Frontera, the payment by IFR of the Exercise Price as set forth in Section 2.4, and the delivery of all items required to be delivered at Closing pursuant hereto.
- (i) “**Closing Date**” means 10:00 a.m. (Calgary time) on the third (3rd) Business Day following the later to occur of: (i) delivery of the Exercise Notice, and (ii) the CNH Approval.
- (j) “**Closing Place**” means the offices of DLA Piper (Canada) LLP in Calgary, Alberta or such other place as may be agreed upon in writing by the Parties.
- (k) “**CNH**” means the National Hydrocarbons Commission of Mexico.
- (l) “**CNH Approval**” means the approval of the CNH for: (i) the transfer of the IDESA Shares to Frontera; or (ii) if the IDESA balance sheet is no longer required by CNH in relation to the License Contract or Other License Contract pursuant to Applicable Laws, the transfer of the Remaining IDESA Shares to IFR or such other party that IFR, in its sole and absolute discretion, determines, as applicable.
- (m) “**Common Shares**” means common shares in the capital of IFR, as presently constituted;
- (n) “**Corporation**” has the meaning given to such term on the face page of this Agreement.
- (o) “**Corporation Management**” has the meaning given to such term in Section 8.2(a)(iv).

- (p) “**Customary Post Closing Consents**” means consents and approvals from Governmental Authorities or Third Parties that are customarily obtained after Closing in connection with transactions similar to the Transaction contemplated by this Agreement.
- (q) “**Dollar**” or “**\$**” means a dollar in the lawful money of Canada.
- (r) “**Encumbrance**” means a lien, encumbrance, charge, Security Interest, royalty, net profits interest, carried working interest or other adverse Claim.
- (s) “**Environmental Health and Safety Laws**” means all Applicable Laws relating to the protection of the environment, occupational health and safety or the processing, use, treatment, storage, disposal, discharge, transport or handling of any pollutants, contaminants, chemicals or dangerous goods or industrial, toxic or hazardous wastes or substances.
- (t) “**Execution Date**” means the date set forth on the face page of this Agreement.
- (u) “**Exercise Notice**” has the meaning given to such term in Section 2.3.
- (v) “**Exercise Price**” has the meaning given to such term in Section 2.4.
- (w) “**Expiration Date**” has the meaning given to such term in Section 2.1.
- (x) “**Expiry Time**” has the meaning given to such term in Section 2.1.
- (y) “**Facilities**” means all the tangible oil and gas facilities relating to the Petroleum and Natural Gas Rights.
- (z) “**Frontera**” has the meaning given to such term on the face page of this Agreement.
- (aa) “**Governmental Authority**” means a federal, provincial, territorial, municipal or other government or government department, agency, board or other authority (including a court of law), which includes the TSXV and CNH.
- (bb) “**IDESA**” has the meaning given to such term on the face page of this Agreement.
- (cc) “**IDESA Change of Control**” means any of the following: (i) the acquisition and exercise, or either of them, of de facto control or the acquisition of the power to exercise de facto control over IDESA by any person, firm or company or group which did not, as at the date hereof, exercise or have power to exercise de facto control over IDESA; and (ii) any transaction or event or series of transactions or events or a combination thereof as a result of which: (A) any person, firm or company or group shall directly or indirectly own or exercise control over, through intermediary entities or by contract or otherwise, 50 percent or more of the outstanding voting securities of IDESA; or (B) IDESA or any of its Subsidiaries shall, or may (including on the exercise of any option or right) become obligated at any time to sell, lease, exchange or otherwise dispose of all or substantially all of its property.
- (dd) “**IDESA Default**” means a breach of a representation or warranty made by IDESA in Section 6.1, or a breach by IDESA of an obligation, agreement or covenant in this Agreement.

- (ee) “**IDESA Private Placement**” means the private placement financing by IDESA to purchase Common Shares for an aggregate amount of CDN\$1,000,000 as further described in Section 8.1.
- (ff) “**IDESA Shares**” means the forty-nine (49) Class I Series “A” shares and thirty-two thousand two hundred eighty-six (32,286) Class II Series “A” shares in the capital of the Corporation owned by IDESA, which comprise 98% of the issued and outstanding shares in the Corporation owned by IDESA.
- (gg) “**IFR**” has the meaning given to such term on the face page of this Agreement.
- (hh) “**IFR Change of Control**” means any of the following: (i) the acquisition and exercise, or either of them, of de facto control or the acquisition of the power to exercise de facto control over IFR by any person, firm or company or group which did not, as at the date hereof, exercise or have power to exercise de facto control over IFR; and (ii) any transaction or event or series of transactions or events or a combination thereof as a result of which: (A) any person, firm or company or group shall directly or indirectly own or exercise control over, through intermediary entities or by contract or otherwise, 50 percent or more of the outstanding voting securities of IFR; or (B) IFR or any of its Subsidiaries shall, or may (including on the exercise of any option or right) become obligated at any time to sell, lease, exchange or otherwise dispose of all or substantially all of its property.
- (ii) “**IFR Consideration Shares**” means the Common Shares in the capital of IFR which shall be issued as consideration for the acquisition of the IDESA Shares upon the exercise of the Option, and which shall be equal to 70,000,000 Common Shares less the number of Common Shares issued to IDESA pursuant to the IDESA Private Placement, subject to adjustment in accordance with Section 2.6.
- (jj) “**IFR Default**” means a breach of a representation or warranty made by IFR Group in Section 6.2, or a breach by IFR Group of an obligation, agreement or covenant in this Agreement and for greater certainty, the failure to obtain conditional acceptance of the listing for trading of the IFR Consideration Shares issuable pursuant to this Agreement on the TSXV shall not constitute a IFR Default provided that IFR shall have used all reasonable commercial efforts to obtain such conditional acceptance.
- (kk) “**IFR Group**” means Frontera and IFR.
- (ll) “**IFR Mexican O&G Opportunity**” means a transaction pursuant to which IFR, directly or indirectly (including for the avoidance of doubt through any Person): (i) commences carrying on any business in the oil and natural gas exploration or production industry in Mexico other than the business carried on by the Corporation; or (ii) acquires securities or any other interest in, or otherwise makes an investment in, any Person carrying on business in the oil and natural gas exploration and production industry in Mexico other than the acquisition of securities or other interests or other investments in the Corporation.
- (mm) “**IFRS**” means International Financial Reporting Standards as incorporated in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis.
- (nn) “**Joint Venture Agreement**” means the joint venture agreement dated September 21, 2015 among IFR, Frontera and IDESA, as may be amended from time to time.

- (oo) “**Lands**” means the lands, formations and associated Petroleum Substances set out in the License Contract and any Other License Contracts.
- (pp) “**Leases**” means, collectively, the petroleum and natural gas leases, licences, Permits, reservations and other agreements including the License Contract or the Other License Contracts, if any, by virtue of which the Corporation is entitled to explore for, recover, remove or dispose of Petroleum Substances within, upon or under the Lands.
- (qq) “**Liabilities**” means any and all liabilities and obligations, whether under common law, in equity, under Applicable Law or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise.
- (rr) “**License Contract**” means the Corporation’s License for Onshore Oil and Gas Development Block 24 entered into by the Corporation and CNH on August 25, 2016.
- (ss) “**Losses**” means, in respect of a Person and in relation to a matter, any and all losses, damages, costs, expenses, charges (including all penalties, assessments and fines) which such Person suffers, sustains, pays or incurs in connection with such matter and includes reasonable costs of legal counsel (on a solicitor and client basis) and other professional advisors and consultants and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained, but does not include consequential or indirect losses or loss of profits suffered by such Person.
- (tt) “**Material Adverse Change**” or “**Material Adverse Effect**” means any event, occurrence, circumstance or state of facts that, individually or in the aggregate, is or could reasonably be expected to be material and adverse to the business, operations, results of operations, properties, cash flow, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), or condition (financial or otherwise) of IFR on a consolidated basis, other than any event, occurrence, circumstance or state of facts resulting from or arising out of:
- (i) the announcement or performance of this Agreement, the exercise of the Option or consummation of the Transactions;
 - (ii) any change in the market price or trading volume of the securities of IFR (provided, however, that the causes underlying such change may be considered to determine whether such cause constitutes a Material Adverse Change);
 - (iii) matters relating solely the Assets or the business, operations, results of operations, properties, cash flow, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), or condition (financial or otherwise) of the Corporation;
 - (iv) conditions affecting the oil and gas industry in Mexico generally;
 - (v) general economic, financial, currency exchange, securities or commodity market conditions in North America including, without limitation, changes in the financial or securities markets in general, currency exchange rates or interest rates;
 - (vi) any changes in the market price of crude oil, natural gas or related hydrocarbons;

- (vii) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof or resulting from acts of God, such as hurricanes, tornadoes, floods, earthquakes, tsunamis or other natural disasters;
 - (viii) changes in any Applicable Laws;
 - (ix) any event, occurrence, circumstance or state of facts which has, prior to the date hereof, been publicly disclosed or which has been disclosed to IDESA or its Representatives in writing; or
 - (x) any action taken (or omitted to be taken) at the written request of IDESA or with the express written consent of IDESA;
- (uu) “**Member(s)**” has the meaning set forth in the Joint Venture Agreement.
- (vv) “**Member Financial Contribution**” means any contribution, loan, advance, payment or other monetary contribution other than an equity share capital contribution, or any guarantee to make any financial commitment with respect to any debt or other obligation of the Corporation, that any Party makes (including, without limitation, pursuant to Section 8.1(f) hereof), or is required to make, pursuant to the Joint Venture Agreement, and in particular includes, without limitation, any such contribution, loan, advance, payment or other monetary contribution made to the Corporation, or on behalf of the Corporation, for or in connection with the exploration or development of Petroleum and Natural Gas Rights, the administration of such exploration or development, the administration of the Corporation, and any other costs, capital costs, or expenses of the Corporation.
- (ww) “**Miscellaneous Interests**” means, subject to the limitations and exclusions provided for in this definition, the entire interest of the Corporation in all property, assets and rights (other than the Petroleum and Natural Gas Rights and the Tangibles) to the extent they pertain directly to the Petroleum and Natural Gas Rights or the Tangibles, including:
- (i) all contracts, agreements, books, records, and documents relating directly to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including the Title and Operating Documents;
 - (ii) all Surface Rights;
 - (iii) the Wells, including the well bores and casing for the Wells;
 - (iv) copies of all non-interpretative production and engineering information prepared for the joint account of the relevant interest owners and relating directly to the Petroleum and Natural Gas Rights; and
 - (v) all subsisting rights to carry out any operations relating to the Petroleum and Natural Gas Rights or Tangibles and all licences and Permits for the Wells and Facilities,

but excluding agreements, documents or data to the extent that: (i) they pertain to IDESA’s proprietary technology, geophysical data or economic evaluations; (ii) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by the Corporation to any assignee which is not an Affiliate of IDESA; (iii) they are legal

opinions; (iv) they are documents prepared on behalf of IDESA in contemplation of litigation; (v) they are referred to specifically as exclusions in the License Contract; or (vi) they pertain to records required to be maintained under Applicable Law.

- (xx) **“Option”** has the meaning given to such term in Section 2.1.
- (yy) **“Other License Contracts”** includes any other license contracts or other agreements or rights entered into by the Corporation with CNH (or any other successor Mexican Governmental Authority) after the Execution Date in relation to the right for the Corporation to explore for, produce and market hydrocarbons in Mexico.
- (zz) **“Party”** means IDESA, Frontera, IFR or the Corporation and **“Parties”** means IDESA, Frontera, IFR and the Corporation, collectively.
- (aaa) **“Permits”** means permits, licenses, approvals and authorizations issued or granted by Governmental Authorities.
- (bbb) **“Permitted Encumbrances”** means:
 - (i) the terms and conditions of any title and operating documents applicable to the Assets, including the License Contract and Other License Contracts, including the royalties, Encumbrances and reductions in interest described in the License Contract and Other License Contracts;
 - (ii) liens for Taxes, assessments and governmental charges which are not due or delinquent at the Closing Date or which after the date hereof are being contested in good faith;
 - (iii) mechanics’, builders’, materialmen’s or similar liens for services rendered or goods supplied for which payment is not due or delinquent at the Closing Date or which after the date hereof are being contested in good faith;
 - (iv) easements, rights of way, servitudes and other similar rights in land, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains and electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables;
 - (v) the right reserved to or vested in any Governmental Authority by the terms of any lease, license, franchise, grant or Permit or by any Applicable Law, to terminate any such lease, license, franchise, grant or Permit or to require payment of rent or other periodic payments as a condition of the continuance thereof;
 - (vi) liens or security granted in the ordinary course of business to a public utility, municipality or Governmental Authority in connection with operations pertaining to the Assets;
 - (vii) the reservations, limitations, provisos and conditions in any original grants from any Governmental Authority respecting any of the Assets, and statutory exceptions to title;

- (viii) rights of general application reserved to or vested in any Governmental Authority to levy Taxes on any of the Assets or the income therefrom, or to limit, control or regulate any of the Assets, or operations pertaining thereto, in any manner; and
 - (ix) liens incurred or created in the ordinary course of business as security in favour of the Person who is conducting the development or operation of the property to which such liens relate for proportionate share of the Corporation of the costs and expenses of such development or operation which are not due at the Closing Date or which after the date hereof are being contested in good faith.
- (ccc) **“Person”** means any individual or entity, including any partnership, body corporate, trust, unincorporated organization, union, government or Governmental Authority and any heir, executor, administrator or other legal representative of an individual.
- (ddd) **“Petroleum and Natural Gas Rights”** means the entire right, title, estate and interest of the Corporation to:
- (i) explore for, drill for, extract, win, produce, take, save or market Petroleum Substances from the Lands;
 - (ii) a share of the production of Petroleum Substances from the Lands;
 - (iii) Petroleum Substances produced from and injected into the Lands; and
 - (iv) a share of the proceeds of sale of, or rights to receive payment calculated by reference to, the quantity, value or proceeds of sale of the production of Petroleum Substances produced from the Lands, other than the rights under agreements for the sale of Petroleum Substances;
- including interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests as any of them pertain to the Lands.
- (eee) **“Petroleum Substances”** means petroleum, natural gas and related hydrocarbons and all other substances (whether hydrocarbon or not), including sulphur, capable of being produced in association with petroleum, natural gas and related hydrocarbons.
- (fff) **“Prime Rate”** means the rate of interest expressed as a rate per annum which the National Bank of Canada, Main Branch, Calgary, Alberta, announces publicly from time to time as the reference rate used by it for determining the rates of interest on Canadian Dollar commercial loans made by it in Canada and which it refers to as its “prime rate”; provided that whenever such bank announces a change in such prime rate, the “Prime Rate” hereunder shall correspondingly change effective on the date that the change in such prime rate is effective.
- (ggg) **“Related Party”** means, in reference to a Party: (i) its Affiliates, successors and assigns; (ii) its directors, officers and employees; (iii) its Affiliates’ directors, officers and employees; and (iv) its Representatives; provided that the Corporation will be a Related Party of IDESA and IFR.

- (hhh) “**Remaining IDESA Shares**” means the one (1) Class I Series “A” share and six hundred fifty-nine (659) Class II Series “A” shares in the capital of the Corporation owned by IDESA after the Closing, which, after the Closing, will comprise 1% of the issued and outstanding shares in the Corporation.
- (iii) “**Representatives**” means, in reference to a Party, its and its Affiliates’ representatives, agents, legal counsel, consultants and advisors.
- (jjj) “**Retention Period**” has the meaning given to such term in Section 10.2(a).
- (kkk) “**Security Interest**” means any mortgage, charge, pledge, lien, hypothec, assignment by way of security, or other security interest whatsoever, but does not include a right of set-off or a set-off.
- (lll) “**Subsequent Financial Contribution**” has the meaning set forth in the Joint Venture Agreement.
- (mmm) “**Subsidiary**” when used in relation to any Person, means any Affiliate controlled, directly or indirectly, by that Person.
- (nnn) “**Surface Rights**” means all rights of the Corporation to enter upon, use, occupy and enjoy the surface of any Lands for purposes related to the use, ownership or operation of the Petroleum and Natural Gas Rights, the Tangibles or the Wells, or in order to gain access thereto, whether the same are held by lease, right-of-way or otherwise.
- (ooo) “**Survival Period**” means in respect of the representations and warranties herein, a period ending two years following the Closing Date.
- (ppp) “**Tangibles**” means the Facilities and the entire interest of the Corporation in all other tangible depreciable property which is situate in or on the Lands and used or intended to be used solely in connection with production, gathering, treatment, storage, compression, processing, transportation, injection, removal or other operations relating to the Petroleum and Natural Gas Rights, including any and all oil batteries, buildings, production equipment, pipelines, pipeline connections, meters, generators, motors, compressors, treaters, dehydrators, scrubbers, separators, pumps, tanks, boilers, and communication equipment, the down-hole and other tangible equipment, if any, relating to the Wells.
- (qqq) “**Tax Returns**” includes all returns, reports, declarations, elections, filings, information returns and statements in respect of Taxes required to be filed under Applicable Law.
- (rrr) “**Taxes**” means all income, capital, sales, excise, value added, goods and services, customs, duties and property taxes; all other fees, assessments withholdings and charges imposed by Governmental Authorities; and all penalties, interest and fines or additions attributable to or imposed on or with respect to such taxes, fees, assessments withholdings and charges.
- (sss) “**Term Sheet**” means the term sheet dated May 3, 2018, between IDESA and IFR.
- (ttt) “**Termination Date**” means the date of termination or expiry of the Option.
- (uuu) “**Third Party**” means any Person other than IDESA, IFR Group and their respective Affiliates.

(vvv) “**Title and Operating Documents**” means, in respect of the Assets:

- (i) the License Contract and any Other License Contracts;
- (ii) any contract or agreement pursuant to which the Corporation (or IDESA as trustee for the Corporation) derives any interest in the Assets, including the Leases, agreements of purchase and sale, farm-in agreements, pooling agreements, unit agreements and royalty agreements; and
- (iii) any contract, agreement or instrument relating to the Petroleum and Natural Gas Rights or the Tangibles, including without limitation, joint operating agreements, unit operating agreements, trust declarations, trust agreements, farmout agreements, pooling agreements, royalty agreements, overriding royalty agreements, gross overriding royalty agreements, common stream agreements, production sales agreements or other arrangements whereby the Corporation or IDESA is obligated to sell, transport or deliver to any Person, any Petroleum Substances allocable to the Petroleum and Natural Gas Rights, gas processing agreements, gas gathering agreements, agreements relating to Surface Rights and agreements for the construction, ownership or operation of Tangibles, and Permits, licenses, authorizations and approvals.

(www) “**Transaction**” means, collectively, the transactions as contemplated by this Agreement including, without limitation, the Option granted to Frontera to purchase the IDESA Shares, the issuance of the IFR Consideration Shares in consideration therefor and the IDESA Private Placement.

(xxx) “**TSXV**” means the TSX Venture Exchange.

(yyy) “**Undertaking Agreements**” has the meaning ascribed thereto in Section 8.2(a)(ii).

(zzz) “**Wells**” means all producing, shut-in, suspended, abandoned, capped, injection, disposal and other wells located on the Lands in which the Corporation has or had an interest.

1.2 Interpretation

Unless otherwise stated or the context otherwise necessarily requires, in this Agreement:

- (a) references herein to any agreement or instrument, including this Agreement, shall be a reference to the agreement or instrument as varied, amended, modified, supplemented or replaced from time to time;
- (b) the terms “in writing”, “written” or any derivations thereof include disclosure by any Party in written form;
- (c) references to a statute shall be a reference to (i) such enactment as amended or reenacted from time to time and every statute that may be substituted therefor; and (ii) the Applicable Law, bylaws or other subsidiary legislation made pursuant to such statute;
- (d) words importing the singular number only shall include the plural and vice versa, and words importing the use of any gender shall include all genders;

- (e) a reference to time shall, unless otherwise specified, refer to Mountain Standard Time or Mountain Daylight Savings Time during the respective intervals in which each is in force in Alberta;
- (f) “including”, “includes” and like terms means “including without limitation” and “includes without limitation”;
- (g) the headings of Articles and Sections in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (h) the terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement in its entirety and include any agreement supplemental hereto; and
- (i) unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement and references herein to Schedules are references to Schedules to this Agreement.

1.3 **Interpretation If Closing Does Not Occur**

In the event that Closing does not occur, each provision of this Agreement which presumes that Frontera has acquired the IDESA Shares or that IDESA has received the Exercise Price shall be construed as having been contingent upon Closing having occurred.

1.4 **Conflicts**

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule or a conveyance document, the provision of the body of this Agreement shall prevail.

1.5 **Schedules**

The following Schedules are incorporated herein by reference and made a part of this Agreement:

Schedule “A”	-	Officer’s Certificate - Representations and Warranties
Schedule “B”	-	Undertaking Agreement
Schedule “C”	-	Share Adjustment Provisions

1.6 **Party’s Knowledge**

For all purposes of this Agreement, the knowledge of a Party consists of the actual knowledge of the current executive officers of such Party, after reasonable inquiry. For these purposes, knowledge does not include the knowledge of any other Person or constructive, implied or imputed knowledge. For certainty, and without limiting the foregoing, none of the Parties nor any of their respective executive officers have any obligation to make inquiry of any Third Party, of any files and records or of any Governmental Authority in connection with representations and warranties that are made to such Party’s knowledge.

ARTICLE 2

OPTION

2.1 Grant of Option

Upon the terms and subject to the conditions of this Agreement, IDESA hereby grants to Frontera a sole and exclusive option (the “**Option**”) to purchase all of the IDESA Shares (and not a portion thereof), free and clear of all Encumbrances, for the Exercise Price, on or before 4:30 pm (Calgary time) (“**Expiry Time**”) on September 25, 2020 (the “**Expiration Date**” or any other date agreed by the Parties due to an extension). The Parties agree that the Expiration Date may be extended by mutual agreement of both Parties. Following the exercise of the Option, until the purchase of the Remaining IDESA shares by IFR as contemplated in Section 2.7, it is intended that Frontera will own 99% of the issued and outstanding shares in the capital of the Corporation.

2.2 Term of the Option

At the Expiry Time, the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

2.3 Manner of Exercise

Frontera may exercise the Option at any time prior to the Expiry Time, by providing notice in writing of such exercise (the “**Exercise Notice**”).

2.4 Closing

At Closing, IDESA shall provide the IDESA Shares free and clear of all Encumbrances duly transferred and registered in the name of Frontera, and in satisfaction of the Exercise Price payable hereunder, IFR shall issue to IDESA the IFR Consideration Shares (the “**Exercise Price**”).

2.5 No Rights Until Closing

Prior to Closing, Frontera shall have no rights whatsoever in respect of a holder of the IDESA Shares (including any rights in respect of the IDESA Shares to receive dividends or any other distribution to shareholders or to vote at a general meeting of shareholders of the Corporation in respect of the IDESA Shares).

2.6 Adjustments to IFR Consideration Shares

If at any time before the Closing a transaction in respect of the Common Shares of the type described in Schedule “C” shall have occurred, the number of IFR Consideration Shares to which IDESA is entitled in respect of the Exercise Price will be adjusted in accordance with the provisions of Schedule “C”.

2.7 Purchase of the Remaining IDESA Shares

At any time after the Closing, upon obtaining CNH Approval, within five (5) Business Days of the written request of IFR, IDESA shall provide the Remaining IDESA Shares to IFR free and clear of all Encumbrances duly transferred and registered in the name of IFR or such other Person as IFR, in its sole absolute and full discretion, directs, in consideration for the payment from IFR to IDESA of one (\$1) dollar, or such greater amount as IFR in its sole, absolute and full discretion, determines. The foregoing language of this Section 2.7 will be applicable only in the event that the IDESA balance sheet is no longer

required by CNH in relation to the License Contract or Other License Contract pursuant to Applicable Law. Prior to the purchase of the Remaining IDESA Shares by IFR, without the prior written consent of IFR, IDESA shall not sell, assign, transfer, encumber or make subject to an Encumbrance, or otherwise dispose of, the Remaining IDESA Shares.

ARTICLE 3 **CONDITIONS OF CLOSING**

3.1 Mutual Conditions

The obligation of each of Frontera and IDESA to complete the Closing is subject to the following conditions, which may be waived in whole or in part in writing by Frontera and IDESA at or before Closing:

- (a) **CNH Approval**: The CNH Approval shall have been obtained;
- (b) **TSXV Acceptance**: The conditional acceptance of the TSXV as contemplated by Section 8.6(a)(i) shall have been obtained, including if required by the TSXV, approval of the Transaction by the shareholders of IFR in accordance with the policies of the TSXV;
- (c) **Illegality**: There is no action taken under any existing Applicable Law, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any Governmental Authority that makes it illegal or otherwise directly or indirectly restrains, enjoins, or prohibits the exercise of the Option or the completion of the Closing; and
- (d) **No Legal Action**: There is no action or proceeding pending or threatened by any Third Party in any jurisdiction that is reasonably likely to:
 - (i) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, IDESA's ability to acquire, hold, or exercise full rights of ownership over, the IFR Consideration Shares, other than pursuant to the Undertaking Agreements, or other than any such cease trade order, injunction, prohibition, limitation, damages or conditions that have been primarily caused, directly or indirectly, by the actions, or failures to act, of IDESA; or
 - (ii) prevent or materially impede or delay the consummation of the Closing, or if the Closing is consummated, have a Material Adverse Effect on IFR, other than any such impediment, delay or Material Adverse Effect that have been primarily caused, directly or indirectly, by the actions, or failures to act, of IDESA.

3.2 IFR Group's Conditions

The obligation of Frontera to complete the Closing is subject to the following conditions, which are for the exclusive benefit of the IFR Group and may be waived in whole or in part by IFR by written notice to IDESA at or before Closing:

- (a) **Tender**: at Closing, IDESA shall have transferred and delivered the IDESA Shares to Frontera free and clear of all Encumbrances; and
- (b) **Closing Deliveries**: IDESA shall have complied with Section 4.2.

3.3 **IDESA's Conditions**

The obligation of IDESA to complete the Closing, including to transfer the IDESA Shares to Frontera, is subject to the following conditions, which are for the exclusive benefit of IDESA and may be waived in whole or in part by IDESA by written notice to IFR at or before Closing:

- (a) **Tender**: at the Closing, IFR shall have issued and delivered the IFR Consideration Shares as the Exercise Price to IDESA;
- (b) **No Material Adverse Change**: Since the Execution Date, no Material Adverse Change shall have occurred in IFR and is continuing at the Closing Date;
- (c) **No IRF Change of Control**: No IFR Change of Control shall have occurred following the date of this Agreement;
- (d) **Closing Deliveries**: The IFR Group shall have complied with Section 4.3; and
- (e) **Exercise Notice**: The Exercise Notice was provided prior to the Expiration Date.

3.4 **Efforts to Fulfill Conditions**

IFR Group and IDESA shall proceed diligently, honestly and in good faith and use all commercially reasonable efforts to satisfy and comply with and assist in the satisfaction of and compliance with the conditions set forth in Sections 3.1, 3.2 and 3.3 which are applicable to each of them and required to be satisfied in order for Closing to occur, provided that, it shall not constitute a breach or default of this Agreement if the applicable officer of IDESA, IFR or Frontera, as applicable, is required to qualify its certification in paragraph 2 of the officer's certificate contemplated under Section 4.2(f), or paragraph 2 of the officer's certificate contemplated in Section 4.3(c), as applicable, due to certain of the representations and warranties of such Parties no longer being true due to the passage of time or changes in circumstances since the Execution Date.

3.5 **Failure of a Condition**

If a condition in Section 3.1, 3.2 or 3.3 has not been satisfied on or before the Closing Date and such condition has not been waived in writing by the Party for whose benefit such condition has been included herein, the Closing will not occur, however this Agreement shall not terminate and will remain in full force and effect until the Expiration Date.

3.6 **Effect of Termination**

Termination of this Agreement following the Expiration Date shall terminate all obligations of the Parties hereunder and this Agreement shall become void and have no effect without any Liabilities on the part of any Party, except as specifically provided for herein and for the obligations under the Term Sheet and Sections 8.1(h) (certain financial and loan covenants of the Parties after the Termination Date), 11.2 (Costs and Expenses) and 11.14 (Public Announcements).

ARTICLE 4 **CLOSING**

4.1 **Place and Date of Closing**

Closing shall take place at the Closing Place on the Closing Date if the Option has been exercised, and if there has been satisfaction or waiver of the conditions of Closing herein contained.

4.2 **IDESA Deliveries at Closing**

At Closing, IDESA shall deliver, or cause to be delivered, to the IFR Group, the following:

- (a) certified copies of resolutions of the boards of directors of IDESA and the Corporation which authorizes the execution and delivery of this Agreement and the completion of the Transaction, including, without limitation, the completion of the sale of the IDESA Shares;
- (b) the original minute book and record books of the Corporation if in the possession of IDESA;
- (c) the IDESA Shares free and clear of all Encumbrances duly registered in the name of Frontera;
- (d) a receipt for the IFR Consideration Shares issued pursuant to Section 2.4;
- (e) all consents of Third Parties required to be obtained by IDESA or the Corporation, if any, in respect of the sale of the IDESA Shares pursuant hereto, other than Customary Post Closing Consents;
- (f) an officer's certificate of IDESA substantially in the form of Schedule "A";
- (g) duly executed Undertaking Agreements;
- (h) if necessary in order to terminate the Joint Venture Agreement, a copy of an agreement or instrument terminating the Joint Venture Agreement executed by IDESA;
- (i) if necessary, an agreement among IDESA and the IFR Group governing the Corporation Management of the Corporation after the Closing as set for the in Section 8.2(a)(iv) executed by IDESA;
- (j) a duly executed release in relation to the IDESA Loan Transfer or Termination; and
- (k) any other documents required to be delivered by IDESA to the IFR Group at Closing pursuant to this Agreement.

4.3 **IFR Group Deliveries at Closing**

At Closing, the IFR Group shall deliver, or cause to be delivered, to IDESA, the following:

- (a) a certified copy of a resolution of the board of directors of Frontera and IFR which authorizes the execution and delivery of this Agreement and the completion of the Transaction including, without limitation, the acquisition of the IDESA Shares and the issuing of the IFR Consideration Shares;
- (b) delivery of the IFR Consideration Shares;
- (c) an officer's certificate of IFR and Frontera in the form of Schedule "A" including any qualifications mutually agreed to by the Parties, acting reasonably, to such officer's

certificate which are required in order to make the representations and warranties set forth in Section 6.2 hereof, all of which were true at the Execution Date, continue to be true at the Closing Date;

- (d) if necessary in order to terminate the Joint Venture Agreement, a copy of an agreement or instrument terminating the Joint Venture Agreement executed by Frontera and IFR;
- (e) if necessary, an agreement among IDESA and the IFR Group governing the Corporation Management of the Corporation after the Closing as set forth in Section 8.2(a)(iv) executed by Frontera and IFR; and
- (f) any other documents required to be delivered by the IFR Group to IDESA at the Closing pursuant to this Agreement.

4.4 **Title and Operating Documents**

IDESA shall deliver or cause to be delivered to IFR prior to Closing, or failing such delivery, within a reasonable period of time following Closing, and in any event within ten (10) Business Days following Closing, original copies of all records, documents, licenses, reports and data (including, to the extent available, electronic records) comprising the Miscellaneous Interests and that are in the possession or control of IDESA. Notwithstanding the foregoing, if and to the extent such contracts, agreements, records, documents, licenses, reports and data also pertain to interests other than the Assets, photocopies or other copies may be provided to IFR in lieu of original copies.

4.5 **Effect of Closing**

At the completion of the Closing on the Closing Date, the Option shall be exercised and Frontera shall own the IDESA Shares, including the assumption of the benefits, obligations and risks associated with the IDESA Shares and the Assets owned by the Corporation.

ARTICLE 5 **REGULATORY MATTERS**

5.1 **CNH Approval**

- (a) As soon as practicable following the date of this Agreement, and in any case, prior to the exercise of the Option, IDESA and IFR Group shall work together to file with the CNH a submission in support of a request for the CNH Approval. IDESA and IFR Group shall equally be responsible for the applicable filing fee in respect of the CNH Approval.
- (b) IFR Group and IDESA will co-operate with each other and use their commercially reasonable efforts to take such action as may be required to secure the CNH Approval.
- (c) Each of IFR and IDESA will:
 - (i) keep the other Party promptly informed of the status of discussions relating to obtaining the CNH Approval and promptly inform the other Party of any communication received in connection with obtaining the CNH Approval;

- (ii) use commercially reasonable efforts to respond promptly to any request or notice from any Governmental Authority requiring the Parties, or any one of them, to supply additional information in respect of obtaining the CNH Approval;
 - (iii) permit the other Party to review in advance any proposed applications, notices, filings, submissions, correspondence and communications of any nature (including responses to requests for information and inquiries from any Governmental Authority) in respect of obtaining the CNH Approval, and will provide the other Party a reasonable opportunity to comment thereon and will consider those comments in good faith;
 - (iv) promptly provide the other Party with any applications, notices, filings, submissions, correspondence and communications of any nature (including responses to requests for information and inquiries from any Governmental Authority) that were submitted to a Governmental Authority in respect of obtaining the CNH Approval; and
 - (v) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the CNH in respect of obtaining or concluding the CNH Approval unless it consults with the other Party in advance and gives the other Party the opportunity to attend and participate thereat unless the CNH requests otherwise or it is not reasonably practicable to do so (and in such latter event, shall, promptly following such meeting or discussion, provide the other Party with a summary of the substance of such meeting or discussion).
- (d) Notwithstanding any requirement in this Section 5.1 in connection with obtaining the CNH Approval, submissions, filings or other written communications with any Governmental Authority containing information which a Party, acting reasonably, considers to be confidential or sensitive may be redacted as necessary before sharing with the other Party, provided that the disclosing Party must provide external legal counsel to the other Party non-redacted versions of drafts and final submissions, filings or other written communications with any Governmental Authority on the basis that the redacted information will not be shared with its client.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of IDESA

IDESA represents and warrants to the IFR Group that:

- (a) Organization and Standing: IDESA is a body corporate, duly organized and validly subsisting under the laws of the United Mexican States;
- (b) Authorization, Execution and Enforceability: The execution, delivery and performance of this Agreement and the completion of the Transaction contemplated hereby have been duly and validly authorized by any and all requisite corporate actions of IDESA. This Agreement does, and any and all other agreements executed and delivered by IDESA in connection herewith will, constitute valid and binding obligations of IDESA, enforceable against IDESA in accordance with their terms, subject to (i) bankruptcy, insolvency,

fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity;

- (c) No Conflict: The execution and delivery of this Agreement is not, and (provided that all required regulatory approvals, including for greater certainty the CNH Approval, are obtained and except for consents and approvals that will be delivered by IDESA at Closing and Customary Post Closing Consents), the completion of the Transaction contemplated hereby in accordance with the terms of this Agreement will not be, in violation or breach of or in conflict with or require any consent, authorization or approval under:
- (i) any term or provision of the constating and governing documents of IDESA or the Corporation;
 - (ii) any agreement, instrument, license, Permit or other governmental authorization to which IDESA or the Corporation is a party or by which IDESA or the Corporation is bound; or
 - (iii) any judgment, decree, order, statute, regulation, rule, or license applicable to IDESA or the Corporation;
- (d) Qualification: IDESA shall meet all qualification requirements of Governmental Authorities to complete the transfer to the IFR Group contemplated by this Agreement and shall accede to, comply with and perform all requirements of such Governmental Authorities in connection therewith;
- (e) No Claims: There are no Claims: (i) filed by, on behalf of, or against IDESA; or (ii) imposed by any Governmental Authority or regulatory body, in either case, whether or not insured and which may adversely affect IDESA or IDESA's ability (financial or otherwise) to complete the Transaction contemplated by this Agreement;
- (f) Litigation: There are no outstanding actions, claims, suits, proceedings or governmental investigations in progress, pending or to the knowledge of any of IDESA, threatened against IDESA that question the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either IDESA or in connection with the Transaction contemplated hereby;
- (g) Regulatory Approvals: Except for the CNH Approval and the approval of TSXV as contemplated by Section 8.6(a)(i), there are no regulatory approvals or rulings required to be obtained by IDESA in respect of the Transaction contemplated by this Agreement;
- (h) No Finder's Fee: Neither IDESA, nor, to the knowledge of IDESA, the Corporation has incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction contemplated hereby for which the IFR Group or the Corporation shall have any obligation or liability;
- (i) Corporation's Minute Book: To the extent they were within the control or custody of IDESA, the Corporation's minute book has been made available to the IFR Group, has been maintained in accordance with good business practices and contains complete and true copies of all director and shareholder resolutions, and the registers of shareholders and transfers contained therein are complete and accurate;

- (j) Title to the IDESA Shares: IDESA now has and on the Closing Date will have good and marketable title to the IDESA Shares, free and clear of all Encumbrances and there is no contract, option or other right which is now or may in the future become binding upon IDESA to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber the IDESA Shares, in whole or in part, other than this Agreement;
- (k) Matters Relating to the Corporation: To the knowledge of IDESA,
- (i) IDESA has not received any notice of the occurrence of any act or omission whereby the Corporation is or would, with notice or lapse of time or both, be in material default under Applicable Law or the terms of any Lease, the Title and Operating Documents or other agreement pertaining to the Assets, where such a default would adversely impact the Assets, or any of them;
 - (ii) the Corporation is the legal and beneficial owner of the Assets and the Assets are held free and clear of all Encumbrances, except for Permitted Encumbrances;
 - (iii) except as provided for by this Agreement, there are no agreements or arrangements in force which are capable of becoming an agreement or option to purchase any of the Assets;
 - (iv) the execution, delivery and performance of this Agreement and the completion of the Closing contemplated hereby have been duly and validly authorized by any and all requisite corporate actions of the Corporation. This Agreement does, and any and all other agreements executed and delivered by the Corporation in connection herewith will, constitute valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their terms, subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity; and
 - (v) the authorized and issued capital of the Corporation consists of sixty-five million nine hundred and ninety thousand (65,990,000) Mexican Pesos consisting of 100 Class I shares which are divided into fifty (50) Series "A" and fifty (50) Series "B" shares, as well as sixty-five thousand eight hundred and ninety (65,890) Class II Shares, which are divided into thirty-two thousand nine hundred forty-five (32,945) Series "A" and thirty-two thousand nine hundred forty-five (32,945) Series "B" Shares; the only issued and outstanding shares of the Corporation are: (i) the fifty (50) Class I Series "A" shares and thirty-two thousand nine hundred forty-five (32,945) Class II Series "A" shares, all of which are owned by and issued in the name of IDESA, and are the IDESA Shares; and (ii) the fifty (50) Class I Series "B" shares and thirty-two thousand nine hundred forty-five (32,945) Class II Series "B" shares, all of which are owned by and issued in the name of Frontera, and no other shares are issued and outstanding. There are no options, warrants or other rights, plans agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by the Corporation of any securities of the Corporation (including the IDESA Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of the Corporation (including the IDESA Shares). All outstanding IDESA Shares have been duly

authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights;

- (l) No Voting Agreements: Neither IDESA nor, to the knowledge of IDESA, the Corporation is a party to any voting trust agreement, or other contract, agreement, commitment, plan, or understanding restricting or otherwise relating to voting rights with respect to the IDESA Shares other than the Joint Venture Agreement.
- (m) Corrupt Practices: To the knowledge of IDESA, in respect of the Corporation, neither IDESA nor any Person acting on its behalf:
 - (i) has used any funds of such entity for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity;
 - (ii) has violated or is in violation of any provision of the *Corruption of Foreign Public Officials Act* (Canada), or any other similar anti-corruption laws applicable to such Person;
 - (iii) has made, directly or indirectly, any payment or promise to pay, or gift or promise to give or authorized such a promise or gift, of any money or anything of value, directly or indirectly, to (A) any foreign official (as such term is defined in the U.S. *Foreign Corrupt Practices Act*) for the purpose of influencing any official act or decision of such official or inducing him or her to use his or her influence to affect any act or decision of a Governmental Authority or (B) any foreign political party or official thereof or candidate for foreign political office for the purpose of influencing any official act or decision of such party, official or candidate or inducing such party, official or candidate to use his, her or its influence to affect any act or decision of a foreign Governmental Authority, in the case of both (A) and (B) above in order to assist IDESA, the Corporation or any of their Affiliates to obtain or retain business for, or direct business to IDESA, the Corporation or any of their Affiliates, as applicable.
 - (iv) has made, directly or indirectly, any unlawful payment or offer or promise to pay any money, gift or anything of value to any foreign public official (as defined in the *Corruption of Foreign Public Officials Act* (Canada)), domestic official or employee; or
 - (v) has made, directly or indirectly, any illegal bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any Canadian, U.K., U.S., Mexican or local law, rule or regulation.

6.2 Representations and Warranties of IFR Group

Each of IFR and Frontera represent and warrant to IDESA that:

- (a) Organization and Standing: IFR is a corporation, duly organized and validly subsisting under the laws of Alberta and is duly qualified to carry on business in the Province of Alberta, and to hold legal title to the Assets as nominee for the Corporation; Frontera is a body corporate, duly organized and validly subsisting under the laws of the United Mexican States;

- (b) Authorization, Execution and Enforceability: The execution, delivery and performance of this Agreement and the completion of the Transaction contemplated hereby have been duly and validly authorized by any and all requisite corporate actions of each of IFR and Frontera. This Agreement does, and any other agreements executed and delivered by IFR or Frontera in connection herewith will, constitute valid and binding obligations of each of IFR and Frontera enforceable against IFR or Frontera, as applicable, in accordance with their terms, subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity;
- (c) No Encumbrances Created by IFR on the IFR Consideration Shares: Once issued in accordance with the terms and conditions hereof, except other than as set forth in this Agreement, the IFR Consideration Shares shall be issued to IDESA free of any of the following which were created by, through or under IFR: Encumbrances, demands, pre-emptive rights, or other adverse Claims of any kind whatsoever.
- (d) No Conflict: The execution and delivery of this Agreement is not, and (provided that all required regulatory approvals are obtained and except for consents and approvals that will be delivered by each of IFR or Frontera at Closing) the completion of the Transaction contemplated hereby in accordance with the terms of this Agreement will not be, in violation or breach of or in conflict with or require any consent, authorization or approval under:
- (i) any term or provision of the constating and governing documents of each of IFR or Frontera;
 - (ii) any agreement, instrument, license, Permit or other governmental authorization to which each of IFR or Frontera is a party or by which such Parties are bound; or
 - (iii) any judgment, decree, order, statute, regulation, rule, or license applicable to either of IFR or Frontera;
- (e) Qualification: At the Closing Date, Frontera shall meet all qualification requirements of Governmental Authorities to take transfers contemplated by this Agreement, and shall accede to, comply with and perform all requirements of such Governmental Authorities in connection therewith;
- (f) No Claims: There are no Claims: (i) filed by, on behalf of, or against IFR or Frontera, or (ii) imposed by any Governmental Authority or regulatory body, in either case, whether or not insured and which may adversely affect IFR or Frontera or IFR's or Frontera's ability (financial or otherwise) to complete the Transaction, contemplated by this Agreement;
- (g) Regulatory Approvals: Except for the CNH Approval and the approval of TSXV as contemplated by Section 8.6(a)(i), there are no regulatory approvals or rulings required to be obtained by each of IFR or Frontera in respect of the Transaction contemplated by this Agreement;
- (h) Securities Actions: No securities commission or similar regulatory authority, or stock exchange in Canada has issued any order which is currently outstanding preventing or suspending trading in any securities of IFR, including the issuance of the IFR

Consideration Shares, to IDESA, and no such proceeding is, to the knowledge of IFR, pending, contemplated or threatened;

- (i) Reporting Issuer: IFR is a reporting issuer in each of the provinces of British Columbia and Alberta and is in compliance in all material respects with applicable Canadian securities laws;
- (j) TSXV Listing: The Common Shares are listed on the TSXV and IFR is in compliance in all material respects with the policies and requirements of the TSXV. The IFR Consideration Shares will be listed and posted for trading on the TSXV upon IFR complying with the usual conditions imposed by the TSXV with respect thereto;
- (k) Corporate Records: The minute books of IFR have been maintained in accordance with Applicable Law and contain true, correct and complete copies of its articles, its by-laws, and are otherwise true, correct and complete except where any non-compliance or any missing documents has not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR. All meetings of directors and shareholders of IFR have been duly called and held and all resolutions have been duly passed in accordance with Applicable Law at such meetings or by written resolution except where any non-compliance in respect of any meetings has not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR;
- (l) Books and Records: The financial books, records and accounts of IFR: (i) have been maintained in accordance with good business practices and in accordance with IFRS, on a basis consistent with prior years; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and dispositions of the assets of IFR; and (iii) accurately and fairly reflect the basis for the IFR financial statements filed on SEDAR in accordance with Applicable Laws;
- (m) IFR's and Frontera's Assets: Frontera has no assets other than shares in the capital of Tonalli, and has no liabilities that would be reasonably expected to have a Material Adverse Effect on IFR, taken as a whole. There has been no assignment, subletting or granting of any licence (of occupation or otherwise) of or in respect of any of the assets of either of IFR or Frontera or any granting of any agreement or right capable of becoming an agreement or option for the purchase of any of the assets of either IFR or Frontera, other than pursuant to the provisions of, or as disclosed in, this Agreement or pursuant to agreements accepted by either IFR or Frontera, as the case may be, in the ordinary course of business and in a manner consistent with past practice;
- (n) Right to Petroleum Assets: Although neither IFR nor Frontera warrant title, neither IFR nor Frontera have reason to believe that IFR does not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this Subsection 6.2(n), the foregoing are referred to as the "**Interests**") and does represent and warrant that the Interests are free and clear of adverse Claims created by, through or under IFR, except for Permitted Encumbrances and those arising in the ordinary course of business, and that, to the knowledge of IFR and Frontera, IFR holds its Interests under valid and subsisting leases, licenses, permits, contracts, subleases, reservations or other agreements, except where the failure to so hold its Interests would not have a Material Adverse Effect on IFR, taken as a whole;

- (o) Environmental Matters: Except to the extent that any violation or other matter referred to in this Section would not have a Material Adverse Effect on IFR, taken as a whole, and to IFR's knowledge, each of IFR's properties and operations are in compliance with all Environmental Health and Safety Laws;
- (p) No Violations of Environmental Health and Safety: To the knowledge of IFR, IFR has not received any notice of, or been prosecuted for an offence alleging, non-compliance with any Environmental Health and Safety Laws and neither IFR nor Frontera has settled any allegation of non-compliance short of prosecution, except in each case where such non-compliance would not have a Material Adverse Effect on IFR. There are no orders or directions relating to environmental, health and safety matters requiring any material work, repairs, construction or capital expenditures to be made with respect to any of the assets of IFR, nor has IFR received notice of any of the same, and which orders, directions or notices remain outstanding or unresolved except where any such orders or directions have not had, and would not reasonably be expected to have a Material Adverse Effect on IFR;
- (q) Good Industry Practice: To the knowledge of IFR, all operations of IFR have been conducted in accordance with good oil and gas industry practices except where the lack of such conduct would not have a Material Adverse Effect on IFR;
- (r) Insurance: IFR is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the oil and gas industry and for IFR's properties and operations; all of IFR's insurance policies are in full force and effect; as at the Execution Date, IFR is in compliance with the terms of such policies in all material respects and there are no material claims by IFR under any such policies as to which any insurance company is denying liability or defending under a reservation of rights clause;
- (s) Public Record: All publicly available documents and information filed by IFR with the securities regulatory authorities in each province where IFR is a reporting issuer (the "**Public Record**") since January 1, 2016 complied in all material respects with all applicable requirements of applicable Canadian securities laws and did not contain, at the respective date of such document or information, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, unless such document or information was subsequently corrected or superseded prior to the date hereof, except where any non-compliance has not had, and would not reasonably be expected to have a Material Adverse Effect on IFR;
- (t) No Material Adverse Change: Since the date of the most recent financial statements filed on SEDAR, as at the Execution Date, there has been no Material Adverse Change in respect of IFR;
- (u) Common Shares: IFR has authorized an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series. As of the Execution Date, 151,022,385 Common Shares, nil preferred shares and 13,030,000 options to acquire Common Shares are issued and outstanding. Except as aforesaid, there are no other outstanding securities of IFR or options, warrants, rights of conversion or exchange privileges or other securities entitling anyone to acquire any securities of IFR;

- (v) Issuance of IFR Consideration Shares: When issued, the IFR Consideration Shares will be issued as fully-paid and non-assessable Common Shares;
- (w) Workers Compensation: As at the Execution Date, all current assessments under applicable workers compensation legislation in relation to the employees of IFR have been paid or accrued by IFR, as applicable, and IFR is not subject to any special or penalty assessment under such legislation which has not been paid except where any such assessment has not had, and would not reasonably be expected to have a Material Adverse Effect on IFR;
- (x) Employee Payments: Neither the execution and delivery of this Agreement or the consummation of the Transaction would, except where any compensation or benefit has not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR: (i) entitle any current or former employee or director or consultant of IFR or any of its subsidiaries to any material compensation or benefit; or (ii) accelerate the time of payment, vesting, or funding, or materially increase the amount of compensation or benefit due any such current or former employee or director or consultant of IFR or any of its Subsidiaries;
- (y) Employee Unions: As at the Execution Date, IFR is not party to any collective bargaining agreement, contract or legally binding commitment to any trade unions or employee organization or group. To the knowledge of IFR, there are no threatened or apparent union organizing activities involving employees of IFR, nor is IFR currently negotiating any collective bargaining agreements;
- (z) No Work Interruptions: As at the Execution Date, there are no material strikes, lockouts or similar labor disputes pending against IFR, or, to the knowledge of IFR, threatened in writing against IFR. As at the Execution Date, to the knowledge of IFR, there are no material unfair labor practice complaints pending against IFR before any labor relations tribunal or authority. As at the Execution Date, there are no pending or, to the knowledge of IFR, threatened material adverse actions or proceedings relating to IFR employees or IFR employment practices. As at the Execution Date, IFR is, and has been during the past year, in compliance in all respects with all applicable federal, state, local and foreign laws regarding labor, employment and employment practices except where any non-compliance has not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR;
- (aa) No Violation by Employees: To the knowledge of IFR, no employee of IFR is in violation of any term of any employment agreement, non-competition agreement or any restrictive covenant to a former employer relating to the right of any such employee to be employed by IFR.
- (bb) Compliance with Laws: IFR has complied in all material respects with all Applicable Laws except where any non-compliance has not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR, and, to the knowledge of each of Frontera and IFR, there is no legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which IFR anticipates that IFR will be unable to comply with, except where such non-compliance has not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR;
- (cc) Litigation: Except for as disclosed in the Public Record, as at the Execution Date there are no outstanding actions, claims, suits, proceedings or governmental investigations in progress, or to the knowledge of any of IFR and Frontera, pending or threatened against

either IFR or Frontera (collectively, “**IFR Actions**”), except where such IFR Actions have not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR. Other than obtaining CNH Approval, there are no IFR Actions that question the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either IFR or Frontera in connection with the Transaction contemplated hereby;

- (dd) Taxes: During the past six (6) years for IFR, and since incorporation for Frontera, both IFR and Frontera have duly and timely paid all taxes, including all installments on account for the current year, that are due and payable and has paid all assessments received in respect of Taxes except where any lack of payment has not had, and would not reasonably be expected to have a Material Adverse Effect on IFR. IFR and Frontera have both charged and collected and have remitted on a timely basis all Taxes as respectively required to be collected by Applicable Law of any sale, supply or delivery whatsoever made in relation to its business except where any failure to charge or collect such Taxes has not had, and would not reasonably be expected to have, a Material Adverse Effect on IFR. Both IFR and Frontera have duly and timely made or prepared or caused to be made or prepared all Tax Returns required to be made or prepared by them, have duly and timely filed all Tax Returns required to be filed by them with the appropriate taxing authority and have duly, completely and correctly reported all income and all other amounts and information required to be reported thereon except where any failure to make, prepare or file such Tax Returns or failure to report such income has not had, and would not reasonably be expected to have a Material Adverse Effect on IFR. Except for any of the following that are not reasonably expected to have a Material Adverse Effect on IFR, to the knowledge of IFR, no appeals, actions, audits, assessments, reassessments, suits, proceedings, investigations or tax claims have been issued against IFR or Frontera nor, to the knowledge of IFR, are there any pending or threatened assessment or reassessment for Taxes;
- (ee) Subsidiaries: IFR has no Subsidiaries other than Frontera, and Frontera have no Subsidiaries other than Frontera’s ownership interest in the Corporation and a 50% ownership interest in [Name redacted].
- (ff) No Finder’s Fee: Neither IFR nor Frontera has incurred any obligation or liability, contingent or otherwise, for broker’s or finder’s fees in respect of this Agreement or the Transaction contemplated hereby for which IDESA shall have any obligation or liability;
- (gg) Shareholder Rights: IFR does not have in place a shareholder rights protection plan and, to the knowledge of IFR and Frontera, other than this Agreement, as at the date hereof, neither IFR nor Frontera nor any of their respective shareholders are party to any shareholders agreement, pooling agreement, voting trust or similar type of arrangements in respect of outstanding securities of IFR or Frontera, as the case may be;
- (hh) Non-Arm’s Length Transactions: No officer, director or employee of IFR or Frontera, and no entity that is an Affiliate or associate of one or more of such individuals:
 - (i) owns, directly or indirectly, any interest in (except for shares representing less than 5% of the outstanding shares of any class or series of shares of any company), or is an officer, director, employee or consultant of, any person which is, or is engaged in business as, a material competitor of IFR or Frontera or a lessor, lessee, supplier, distributor, sales agent or customer of IFR or Frontera;

- (ii) owns, directly or indirectly, in whole or in part, any property that IFR or Frontera uses in the operation of its business (on a consolidated basis); or
 - (iii) has any cause of action or other Claim whatsoever against IFR or Frontera in connection with its business (on a consolidated basis);
- (ii) Matters Relating to the Corporation: To the knowledge of IFR and Frontera,
- (i) neither IFR nor Frontera has received any notice of the occurrence of any act or omission whereby the Corporation is or would, with notice or lapse of time or both, be in material default under Applicable Law or the terms of any Lease, the Title and Operating Documents or other agreement pertaining to the Assets, where such a default would adversely impact the Assets, or any of them;
 - (ii) the Corporation is the legal and beneficial owner of the Assets and the Assets are held free and clear of all Encumbrances, except for Permitted Encumbrances;
 - (iii) except as provided for by this Agreement, there are no agreements or arrangements in force which are capable of becoming an agreement or option to purchase any of the Assets;
 - (iv) the execution, delivery and performance of this Agreement and the completion of the Closing contemplated hereby have been duly and validly authorized by any and all requisite corporate actions of the Corporation. This Agreement does, and any and all other agreements executed and delivered by the Corporation in connection herewith will, constitute valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their terms, subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity; and
 - (v) the authorized and issued capital of the Corporation consists of sixty-five million nine hundred and ninety thousand (65,990,000) Mexican Pesos consisting of 100 Class I shares which are divided into fifty (50) Series "A" and fifty (50) Series "B" shares, as well as sixty-five thousand eight hundred and ninety (65,890) Class II Shares, which are divided into thirty-two thousand nine hundred forty-five (32,945) Series "A" and thirty-two thousand nine hundred forty-five (32,945) Series "B" Shares; the only issued and outstanding shares of the Corporation are: (i) the fifty (50) Class I Series "A" shares and thirty-two thousand nine hundred forty-five (32,945) Class II Series "A" shares, all of which are owned by and issued in the name of IDESA, and are the IDESA Shares; and (ii) the fifty (50) Class I Series "B" shares and thirty-two thousand nine hundred forty-five (32,945) Class II Series "B" shares, all of which are owned by and issued in the name of Frontera, and no other shares are issued and outstanding. There are no options, warrants or other rights, plans agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by the Corporation of any securities of the Corporation (including the IDESA Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of the Corporation (including the IDESA Shares). All outstanding IDESA Shares have been duly

authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights;

- (jj) Corrupt Practices: Neither IFR nor Frontera nor any Person acting on their respective behalf, nor, to the knowledge of IFR or Frontera, any of the directors, officers, agents, or employees of IFR or Frontera or any other Persons associated with IFR or Frontera:
- (i) has used any funds of such entity for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity;
 - (ii) has violated or is in violation of any provision of the *Corruption of Foreign Public Officials Act* (Canada), or any other similar anti-corruption laws applicable to such Person;
 - (iii) has made, directly or indirectly, any payment or promise to pay, or gift or promise to give or authorized such a promise or gift, of any money or anything of value, directly or indirectly, to (A) any foreign official (as such term is defined in the *U.S. Foreign Corrupt Practices Act*) for the purpose of influencing any official act or decision of such official or inducing him or her to use his or her influence to affect any act or decision of a Governmental Authority or (B) any foreign political party or official thereof or candidate for foreign political office for the purpose of influencing any official act or decision of such party, official or candidate or inducing such party, official or candidate to use his, her or its influence to affect any act or decision of a foreign Governmental Authority, in the case of both (A) and (B) above in order to assist IFR, Frontera, the Corporation or any of its Affiliates to obtain or retain business for, or direct business to IFR, Frontera, the Corporation or any of its Affiliates, as applicable.
 - (iv) has made, directly or indirectly, any unlawful payment or offer or promise to pay any money, gift or anything of value to any foreign public official (as defined in the *Corruption of Foreign Public Officials Act* (Canada)), domestic official or employee; or
 - (v) has made, directly or indirectly, any illegal bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any Canadian, U.K., U.S. or local law, rule or regulation.

6.3 Survival of Representations and Warranties

Except where a time is specified therein, the representations and warranties in this Article 6 shall be true and correct as of the date hereof and at the Closing Date, and such representations and warranties shall continue in full force and effect and shall survive the Closing or the termination of this Agreement for the applicable Survival Period at which point in time they shall expire and be of no further force and effect.

ARTICLE 7 **LIABILITIES AND INDEMNITIES**

7.1 IDESA's Indemnities

Subject to Sections 7.3, 7.4 and 7.6, IDESA shall:

- (a) be liable to the IFR Group and its Related Parties for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) indemnify and save the IFR Group and its Related Parties harmless from and against all Claims made against them;

insofar as such Losses, Liabilities and Claims are a direct result of any of IDESA's representations and warranties in Section 6.1, and, after the Closing, as such representations and warranties are modified, amended or qualified in the officer's certificate delivered under Section 4.2(f), being untrue, provided that IDESA shall not be liable to, or be required to indemnify and save harmless, the IFR Group or any of its Related Parties pursuant to this Section 7.1 in respect of any Losses, Liabilities or Claims to the extent they result from a IFR Default, are reimbursed to the IFR Group or its Related Parties by insurance or are caused by or result from the gross negligence or wilful misconduct of the IFR Group or its Related Parties.

7.2 **IFR's Indemnities**

Subject to Sections 7.3, 7.4 and 7.6, IFR shall:

- (a) be liable to IDESA and its Related Parties for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) indemnify and save harmless IDESA and its Related Parties from and against all Claims made against them;

insofar as such Losses, Liabilities and Claims are a direct result of any of the IFR Group's representations and warranties in Section 6.2 and, after the Closing, as such representations and warranties are modified, amended or qualified in the officer's certificate delivered under Section 4.3(c), being untrue, provided that IFR shall not be liable to, or be required to indemnify and save harmless, IDESA or any of its Related Parties pursuant to this Section 7.2 in respect of any Losses, Liabilities or Claims to the extent they result from a IDESA Default, they are reimbursed to IDESA or its Related Parties by insurance or are caused by or result from the gross negligence or wilful misconduct of IDESA or its Related Parties.

7.3 **Claims**

- (a) No Claim under Section 7.1 or 7.2 in respect of a representation or warranty of IDESA or IFR Group, as the case may be, shall be made or be enforceable by a Party, whether by legal proceedings or otherwise, unless written notice of such Claim, with reasonable particulars, is given by such Party to the Party against whom such Claim is to be made within the applicable Survival Period.
- (b) Promptly on becoming aware of any circumstances that have given or could give rise to a Claim under Section 7.1 or 7.2, the Party having such Claim shall give notice of those circumstances to the other Party. Such notice will specify with reasonable particularity (to the extent the information is available) the factual basis for the Claim and the amount of the Losses, if known.
- (c) The failure to give, or delay in giving, a notice described in Subsection 7.3(b) does not relieve any Party of its obligations except and only to the extent of any prejudice caused by that failure or delay.

- (d) Provided that a notice as described in Subsection 7.3(b) is delivered on or prior to the expiry of the applicable time period related to any representation and warranty or covenant, as the case may be, for which a Claim may be made pursuant to Sections 7.1 or 7.2, liability of the applicable Party for that representation, warranty or covenant will continue in full force and effect until the final determination of that Claim.

7.4 **Limitations on Liabilities**

Notwithstanding anything to the contrary contained in this Agreement:

- (a) no Claim shall be made against a Party or its Related Parties in respect of any breaches of representations or warranties hereunder, or for indemnification in respect thereof, unless and until the amount of the Losses and Liabilities suffered, sustained, paid or incurred by a Party and its Related Parties in respect of the aggregate amount of all such Losses and Liabilities exceeds \$150,000; and
- (b) in no event shall the Liabilities of a Party in respect of any and all Claims arising out of or in connection with any breach of the representations and warranties of such Party in this Agreement exceed, in the aggregate, the fair market value of the Exercise Price on the Closing Date.

7.5 **Indemnification Procedure – Third Party Claims**

The following procedures shall be applicable to any Claim by a Party (the “**Indemnitee**”) for indemnification pursuant to this Agreement from the other Party (the “**Indemnitor**”) in respect of a Claim by a Third Party (for the purpose of this Section 7.5, a “**Third Party Claim**”):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall promptly provide notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Liabilities and Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not give timely notice to the Indemnitor as aforesaid, then such failure shall only lessen or limit the Indemnitee’s rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to do either or both of the following:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee;
- (c) each Party shall cooperate with the other in the defence of the Third Party Claim, including making available to the other Party, its directors, officers, employees and consultants whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;

- (d) the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor, (which consent shall not be unreasonably withheld or delayed) unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and cooperate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested by it; and
- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any other Person, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) to the Indemnitor, net of Taxes required to be paid by the Indemnitee as a result of any such receipt and plus any Taxes saved or recovered by the Indemnitee as a result of such payment.

7.6 **Consequential Damages**

In no event shall a Party be liable in respect of the covenants, agreements, representations, warranties and indemnities contained in this Agreement or in any certificate, agreement or other document furnished pursuant to this Agreement for consequential, indirect, loss of profits or punitive damages (including business interruption or any special or incidental Loss of any kind) suffered, sustained, paid or incurred by the other Party or its Related Parties.

ARTICLE 8 **ADDITIONAL COVENANTS OF THE PARTIES**

8.1 **IDESA Private Placement**

- (a) IDESA covenants and agrees to complete and subscribe for Common Shares in the IDESA Private Placement within six (6) months following the date of this Agreement. Although it is the current intention of the Parties that the IDESA Private Placement shall be conducted concurrently with, or as part of, a larger private placement financing of Common Shares, there is no requirement for IFR to complete such a financing before, after or concurrent with the IDESA Private Placement. For greater certainty, unless IFR, in its sole and absolute discretion provides written notice to IDESA stating otherwise, the covenant to complete the IDESA Private Placement is an irrevocable requirement that must be completed, even if the Option has not been exercised during such six (6) month period, provided that IDESA shall not be required to subscribe for Common Shares in the IDESA Private Placement if: (i) a Material Adverse Change shall have occurred in IFR since the Execution Date and shall be continuing at the date of closing of the IDESA Private Placement; or (ii) an IFR Change of Control shall have occurred. Once completed, the funds from the IDESA Private Placement shall not be returned to IDESA, even in the case where the Option expires or terminates unexercised.
- (b) The subscription price per Common Share for the IDESA Private Placement shall be equal to the greater of:

- (i) the price per Common Share of any larger offering of Common Shares made primarily to Arm's Length Parties conducted concurrently with the IDESA Private Placement (a "**Concurrent Offering**"); and
 - (ii) if IFR is not conducting a Concurrent Offering, the "Discounted Market Price", as defined in the policies of the TSXV, per Common Share on the date such price is determined applying the maximum permitted discount pursuant to such policies, rounded up to the nearest whole cent.
- (c) IFR covenants that the proceeds from the IDESA Private Placement will be principally used in respect of the costs and capital expenditures associated with drilling, exploration and production in respect of the License Contract, as well as for administration costs of IFR, including working capital.
- (d) Any funds that IDESA provides to the Corporation after February 22, 2018 and prior to the closing of the IDESA Private Placement, pursuant to Joint Venture Agreement for capital expenditures and costs in relation to the Tecolutla Block, shall be considered a shareholder loan as a Member Financial Contribution from IDESA to the Corporation under the Joint Venture Agreement (the "**IDESA Loan**"), and duly approved by the Members in accordance with the terms of the Joint Venture Agreement. At the Closing, and only if the Closing occurs, 100% of the IDESA Loan shall be, at the sole and absolute discretion of IFR:
- (i) transferred by IDESA to IFR, or to such other Person as IFR, in its sole and absolute discretion, directs, in consideration for the payment from IFR to IDESA of one (\$1) dollar, or such greater amount as IFR in its sole, absolute and full discretion, determines such that no amount of such IDESA Loan is owing from Tonalli to IDESA, and after such transfer, the IDESA Loan will be owing from Tonalli to IFR or such other Person; or
 - (ii) cancelled and extinguished in consideration for the payment from IFR to IDESA of one (\$1) dollar, or such greater amount as IFR in its sole, absolute and full discretion, determines, such that no amount of such IDESA Loan is owing from Tonalli to IDESA (together with Section 8.1(d)(i), the "**IDESA Loan Transfer or Termination**"),
- and at Closing, IDESA shall provide a release to IFR to evidence the IDESA Loan Transfer or Termination.
- (e) In addition to any resale restrictions imposed by applicable securities laws or the policies of the TSXV, all Common Shares owned or controlled, directly or indirectly, by IDESA shall be subject to the following restrictions for a period of eighteen (18) months following the Closing Date:
- (i) IDESA shall not make any distribution (by way of a dividend, reduction of stated capital or otherwise) of any Common Shares to the shareholders of IDESA; and
 - (ii) In the event of an IDESA Change of Control within such eighteen (18) month period, the Common Shares may not be transferred, sold or distributed for a period of eighteen (18) months from the date of the IDESA Change of Control.

- (f) For greater certainty, unless modified by this Agreement, prior the completion of the IDESA Private Placement and until the Closing (upon which the Joint Venture Agreement shall be terminated), the Joint Venture Agreement, and each and every term of the Joint Venture Agreement, will continue to operate as currently set forth in such Joint Venture Agreement, including, without limitation, the obligation on the Parties that any funds required for capital expenditures and costs as per the Joint Venture Agreement, including, without limitation, Member Financial Contributions, will be contributed equally by IDESA, as to 50%, and IFR, as to 50%.
- (g) After the completion of the IDESA Private Placement and prior to the Closing (upon which the Joint Venture Agreement shall be terminated), the Joint Venture Agreement shall be amended such that IFR shall have the ability, at its sole and absolute discretion, but not the obligation, upon notice to IDESA, to provide up to 100% of any and all Member Financial Contributions, and in particular, Section 14.1.2 of the Joint Venture Agreement shall be replaced with the following language:

The Members shall not be obliged to provide any Subsequent Financial Contribution, unless otherwise resolved by the Members in a General Meeting. Any Subsequent Financial Contribution, if any, shall be made in proportion to their then-respective equity share capital in the Corporation, provided that IFR (or any Affiliate of IFR) shall have the ability, at its sole and absolute discretion, but not the obligation, upon notice to IDESA, to provide up to 100% of any and all Subsequent Financial Contribution.

- (h) If the Option is not exercised and the Closing does not occur:
- (i) after the date of the closing of the IDESA Private Placement, any Member Financial Contributions made by IFR pursuant to the amended section 14.1.2 of the Joint Venture Agreement, as to 100% of a Subsequent Financial Contribution made pursuant to the Joint Venture Agreement, and any other Member Financial Contributions made to the Corporation by IFR as to 100%, including, without limitation, any Subsequent Financial Contributions made as to the Corporation by IFR as to 100% (and where IDESA has not made a Member Financial Contribution to the Corporation in an amount that is equal to IFR's Member Financial Contribution)(collectively, an "**IFR 100% Contribution**"), shall, as to 50% of all such IFR 100% Contributions (the "**50% Equalization**"), be paid back to IFR by IDESA pursuant to one or more of the following Repayment Mechanisms until the sum of all amounts paid back to IFR through all Repayment Mechanisms used by IDESA equals the 50% Equalization, with the choice of which Repayment Mechanism or Repayment Mechanisms to be used by IDESA being at the sole and absolute discretion of IDESA and evidenced by written notice provided to IFR within fifteen (15) days of the Termination Date:
- (A) Within thirty (30) days of the Termination Date, the 50% Equalization shall be repaid by IDESA to the IFR Group;
- (B) The 50% Equalization shall be accounted for as a loan owing by IDESA to the Corporation, and IDESA agrees that the IFR Group shall not be required to make any further Member Financial Contributions or Subsequent Financial Contributions pursuant to the Joint Venture Agreement, or otherwise, until such time as the 50% Equalization has

been contributed and paid back by IDESA to the Corporation as required pursuant to the provisions of the Joint Venture Agreement, including any time deadlines required by the Joint Venture Agreement amended as if such time deadline commenced on the Termination Date; or

- (C) Within thirty (30) days of the Termination Date, IFR shall purchase from IDESA for CDN\$1,000,000 all, but not less than all, of the Common Shares issued to IDESA pursuant to the IDESA Private Placement, and as consideration for such purchase, CDN\$1,000,000 shall be set off and deducted from the 50% Equalization. For greater certainty, any remaining amounts of the 50% Equalization, after the set off and deduction of the CDN\$1,000,000 as set forth in this Section, shall be required to be satisfied by IDESA pursuant to Sections 8.1(h)(i)(A) or 8.1(h)(i)(B); and
- (ii) If IDESA does not comply with Section 8.1(h)(i), such non-compliance will be considered an Event of Default (as defined in the Joint Venture Agreement) under Section 25.1.6 of the Joint Venture Agreement, and as a result, Frontera shall have any and all remedies against IDESA as set forth in the Joint Venture Agreement in respect of an Event of Default thereunder.

8.2 Corporate Governance Matters

(a) Board Representation.

- (i) Following the Closing, IFR shall appoint two (2) individuals nominated by IDESA to the board of directors of IFR and IFR shall take such steps as may be necessary to appoint such individuals nominated by IDESA (“**IDESA Director**”) to the board of directors of IFR to serve until the next annual general meeting of the shareholders of IFR. In addition, if the board of directors of IFR will be comprised of more than eight (8) directors, IFR shall take such steps as may be necessary to appoint one (1) IDESA Director (which for greater certainty will be nominated by IDESA) for each three (3) individuals that are not nominated by IDESA, thus achieving a 25% representation, rounded down to each previous whole director, of IDESA Directors on the board of directors of IFR. For greater certainty, IFR shall at all times be required to have a minimum five (5) Person board of directors with no more than two (2) of such minimum five (5) Person board of directors being IDESA Directors. Notwithstanding the foregoing: (A) if at any time IDESA beneficially owns or controls, directly or indirectly, Common Shares of IFR in an amount that is less than 25% of the issued and outstanding Common Shares of IFR but greater than 10% of the issued and outstanding Common Shares of IFR, IDESA shall forever lose all rights to have IFR appoint two (2) individuals nominated by IDESA to the board of directors of IFR, and IFR shall appoint only one (1) individual to be nominated by IDESA to the board of directors of IFR; and (B) if at any time IDESA beneficially owns or controls, directly or indirectly, Common Shares of IFR in an amount that is less than 10% of the issued and outstanding Common Shares of IFR, IDESA shall forever lose all rights to have IFR appoint any individuals nominated by IDESA to the board of directors of IFR.

- (ii) At Closing, IDESA shall enter into undertaking agreements (“**Undertaking Agreements**”), in a form substantially as is attached as Schedule “B”, provided that the form of Undertaking Agreement shall be amended to satisfy any requests or requirements of the TSX Venture Exchange, whereby IDESA undertakes that IDESA will only vote any Common Shares of IFR for the election/appointment of up to its two (2) IDESA Directors (or such greater number as the *pro rata* increase per Section 8.2(a)(i) requires) as directors of IFR and withhold from voting its Common Shares of IFR in respect of the other directors of IFR.
 - (iii) At Closing, IFR will have a management team (the “**Management**”), which will be selected and appointed by the board of directors and instructed by the board of directors. The initial Management of IFR shall remain same as the current management of IFR.
 - (iv) At Closing, the Corporation will have a management team (the “**Corporation Management**”), which will be selected and appointed by the board of directors of the Corporation and instructed by the board of directors of the Corporation. The initial Corporation Management of the Corporation shall remain the same as the current management of the Corporation.
 - (v) IFR shall at all times maintain directors’ and officers’ liability insurance appropriate for public oil and gas companies with similar market capitalization and risk exposure to that of IFR.
- (b) Bank Accounts. Within thirty (30) days of the Closing Date, IDESA agrees to execute and deliver or cause to be executed and delivered any and all such documents and instruments and shall take or cause to be taken all such further or other actions to, or as are required to, amend the signatories in respect of any and all of the Corporation’s bank accounts such that: (A) all signatories for such bank accounts are nominees of IFR; and (B) any and all cheques, bank drafts, electronic deposits or transfers and any other withdrawals of any nature whatsoever will require two signatures of directors or officers of IFR.
- (c) Pre-Emptive Rights.
- (i) If at any time prior to the date that is two (2) years following the Closing Date, IFR proposes to issue any additional Common Shares, other than in connection with: (A) an outstanding convertible security as at the Execution Date including any outstanding options or warrants; (B) Common Shares issued on the exercise of options issued pursuant to IFR’s stock option plan; (C) the IFR Consideration Shares issued as the Exercise Price; (D) the IDESA Private Placement; then the following provisions of this Section 8.2(c) shall take effect.
 - (ii) IFR shall give to IDESA written notice of each proposed issuance of Common Shares setting forth the number of Common Shares that it proposes will be issued and the price and terms and conditions upon which such securities are being offered (an “**Allotment Notice**”).
 - (iii) Upon receipt of an Allotment Notice, IDESA shall have the right, by written notice given to IFR (an “**Acceptance Notice**”), at any time within a period of thirty (30) Business Days following receipt of such Allotment Notice, to subscribe for such quantity of Common Shares in proportion to the number of

Common Shares owned by IDESA as at the date of the Allotment Notice, upon the terms and conditions set forth in the Allotment Notice.

- (iv) If, following the receipt of an Allotment Notice, IDESA fails to give IFR an Acceptance Notice within the required time, then IFR may proceed with such issuance of additional Common Shares without issuing any such Common Shares to IDESA and IFR may offer such unsubscribed Common Shares to any other Person.
- (d) IFR Mexican O&G Opportunities.
 - (i) Prior to the Expiration Date, IFR shall not complete or enter into any agreements with respect to an IFR Mexican O&G Opportunity unless IFR shall have exercised the Option and completed the Closing, provided, however that (i) IFR may complete or enter into any agreement with respect to an IFR Mexican O&G Opportunity if IFR shall have earlier exercised the Option, complied with its obligations under this Agreement and satisfied all of the conditions to completion of the Closing under its control, and the Closing shall not have closed solely due to the failure of IDESA to comply with its obligations under this Agreement or satisfy the conditions to completion of the Closing under its control, and (ii) IFR may enter into an agreement with another Person with respect to an IFR Mexican O&G Opportunity if such agreement provides that the completion of the transaction contemplated by the agreement is conditional on the completion of the Closing and, prior to or concurrently with entering into such agreement, IFR shall have exercised the Option and shall be in a position to close the Closing subject only to the performance by IDESA of its obligations under this Agreement.
 - (ii) Following the Expiration Date, IFR may complete or enter into any agreement with respect to an IFR Mexican O&G Opportunity without any kind of restriction.

8.3 Negative Covenants

From the date hereof until the Closing Date, each of IDESA and IFR agree that it shall not, and it shall not allow the Corporation to, without the written consent of all Parties:

- (a) except as may be required to satisfy the requirements of the License Contract, surrender any of the Assets;
- (b) except as may be required to satisfy the requirements of the License Contract, sell, lease, pledge, encumber or otherwise dispose of, or authorize the sale, lease, pledge, Encumbrance or disposition of, any of the Assets or any part or portion thereof, other than pursuant to transactions that are undertaken in the ordinary course of business;
- (c) cause the Corporation to amalgamate with, merge into or otherwise consolidate with any other Person or acquire all of the business or assets of any Person;
- (d) cause the Corporation to make loans to any Person or guarantee or endorse or otherwise as an accommodation become responsible for the obligation of any Person; or

- (e) directly or indirectly do or permit to occur any of the following: (i) amend the Corporation's constating documents; (ii) redeem, purchase or otherwise acquire any of the Corporation's outstanding shares or other securities; (iii) sell, assign, transfer, encumber or make subject to an Encumbrance, or otherwise dispose of, the IDESA Shares; (iv) issue any securities of the Corporation; (v) split, combine or reclassify any of the Corporation's securities; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution or reorganization of the Corporation; (vii) reduce the stated capital of the Corporation or any of its outstanding shares; or (viii) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement or the Transaction, which might directly or indirectly interfere or affect the consummation of the Transaction contemplated by this Agreement; or
- (f) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing.

8.4 **Post-Closing Transition and Covenants**

- (a) Subsequent to Closing, at the request of IFR or as is required pursuant to Applicable Laws, IDESA agrees to execute and deliver or cause to be executed and delivered any and all such documents and instruments and shall take or cause to be taken all such further or other actions, including, without limitation, terminating any agreements to, or as are required:
 - (i) if applicable, to update or to modify any Permit as are required or requested by IFR as a result of the IFR Group being the 100% owner of the Corporation upon Closing; or
 - (ii) if applicable, to transfer or to assign to IFR or its Affiliates, or to terminate, subject to their terms, any and all agreements, including, without limitation, operating agreements, marketing agreements, employment agreements, including, without limitation, any and all other agreements, whether written or oral, among IDESA, or its Affiliates, and the Corporation and which are required or requested by IFR to be transferred or terminated as a result of the IFR Group being the 100% owner of the Corporation upon the Closing.
- (b) Subject to CNH Approval, subsequent to Closing, IDESA agrees that its shall keep in force, valid, subsisting and in good standing, whether for the benefit of the Corporation or otherwise, and shall not terminate or cancel all or any portion of, any corporate guarantee, performance guarantee or other guarantees provided or required in relation to:
 - (i) the License Contract; or
 - (ii) any Other License Contracts entered into by the Corporation with CNH (or any other successor Mexican Governmental Authority) after the Execution Date.

8.5 **IDESA as Agent of IFR**

Provided Closing occurs and insofar as IDESA takes actions on behalf of IFR or the Corporation in compliance with the obligations under Section 8.4, IDESA will be deemed to have been the agent of IFR or the Corporation hereunder in respect of such actions. Provided Closing occurs, IFR will be liable to and, in addition, indemnify IDESA against all of its Losses and Liabilities as a result taking such actions as IFR's or the Corporation's agent under Section 8.4, insofar as those Losses and Liabilities are not a

direct result of the gross negligence or wilful misconduct of IDESA. An act or omission will not be regarded as gross negligence or wilful misconduct under Section 8.4 to the extent that it was done or omitted to be done in accordance with IFR's instructions or concurrence.

8.6 **IFR's Covenants**

- (a) From the date hereof until the Closing Date, IFR shall:
- (i) apply to the TSXV for its conditional acceptance of the Transaction and the listing for trading on the TSXV of the IFR Consideration Shares issuable on exercise of the Option and shall use all reasonable commercial efforts to obtain such conditional acceptance, including, if required by the TSXV, seeking approval of the shareholders of IFR for the Option by any means acceptable to the TSXV; and
 - (ii) make all necessary filings and applications under Applicable Laws required to be made on the part of IFR in connection with the issuance of the IFR Consideration Shares issuable on the exercise of the Option and shall take all reasonable action necessary to be in compliance with such Applicable Laws.

ARTICLE 9 **PRE-CLOSING MATTERS**

9.1 **Production of Documents**

- (a) At all reasonable times from the date hereof until the Closing Date, IDESA shall make available to IFR and IFR's Representatives in IDESA's principal offices, such financial, operating and other information as IFR may reasonably request, including in order to perform continuing due diligence, in respect of the Assets and Shares, and which are in IDESA's or any of its Affiliate's possession or control, including:
- (i) the records, files, reports, title opinions, title reports, data and documents comprising part of or otherwise relating to the Assets, including operating, technical and financial data and information;
 - (ii) copies of the Title and Operating Documents and any other agreement and document to which the Assets are subject or to which the Corporation is a party or by which the Corporation is bound; and
 - (iii) access to the minute books, books of account and Tax records of the Corporation,
- in such a manner so as not to unreasonably interfere with the business or operations of IDESA.
- (b) Notwithstanding the foregoing, IDESA shall not be required to provide any information or allow any inspection which it reasonably believes it may not provide to IFR by reason of Applicable Law, which constitutes or allows access to information protected by solicitor/client privilege, or which IDESA is required to keep confidential or prevent access to by reason of contract, agreement or understanding with a Third Party. For the avoidance of doubt, IDESA shall not be required to make available to IFR or IFR's Representatives

any documents relating to its business which are not related to the Corporation, the Assets or the IDESA Shares.

ARTICLE 10
ACCESS TO INFORMATION AND TAX ASSESSMENTS

10.1 Access to Information

After Closing, IDESA and its Affiliates, may upon reasonable notice to IFR and subject to contractual restrictions relating to disclosure, have access during normal business hours to the Title and Operating Documents and any engineering reports and the financial statements, books, accounts, records, minute books, Tax Returns, Tax assessments, filings, maps, documents, files, information and materials of the Corporation for the purpose of obtaining and copying information in respect of matters arising out of or relating to any period of time up to the Closing Date for use by IDESA or its Affiliates:

- (a) in connection with IDESA's dealings with Tax and other regulatory authorities;
- (b) to comply with Applicable Laws; and
- (c) in connection with any action, suit or proceeding commenced or threatened by any Person against IDESA or any of its Affiliates, or its or their respective directors, officers, employees, agents, solicitors, engineers, accountants and consultants for which IDESA or its Affiliates may have any Liabilities.

10.2 Maintenance of Information

- (a) IFR agrees that all of the information, materials and other records of the Corporation, including the general records, the financial and accounting records and the Tax records, to the extent such information, material and other records relate to or were created with respect to matters arising or relating to the period up to the Closing Date, shall be retained, maintained in good order and good condition and kept in a reasonably accessible location by IFR Group and its Affiliates for a period of time (the "**Retention Period**") beginning on the Closing Date and ending on the later of:
 - (i) the expiration of any applicable limitations periods for all Tax periods of the Corporation or IDESA beginning before the Closing Date, as such limitations are provided for under Applicable Laws; or
 - (ii) the end of such period as may be required by Applicable Laws.
- (b) IFR further agrees that IDESA and its Affiliates may, during the Retention Period at their expense and, subject to agreement on reasonable confidentiality terms, make such copies of the information and materials described above as they may reasonably request, provided that at any time prior to the expiration of the Retention Period, IFR may destroy or give up possession of any such information or materials if it first offers IDESA the opportunity (by delivery of at least sixty (60) days' prior written notice to IDESA, which notice shall contain a detailed listing of the information and materials proposed to be destroyed), at IDESA's expense (but without any payment to IFR) to obtain delivery of or a copy of so much of such information or materials as IDESA or its Affiliates, in their sole discretion, desire.

10.3 **Tax Reassessments or Audits**

If IDESA, IFR Group or the Corporation are audited, assessed or reassessed by any taxation authority relating to any aspect of the Corporation, or such Party's respective interests in the Corporation, or income earned by the Corporation, in respect of any taxation period prior to the Closing Date, such Party shall immediately notify the other Parties of the same and:

- (a) shall, to the extent permitted by Applicable Law, allow such other Parties access to the relevant records in order to respond or make any representation to the applicable taxation authority that such other Parties see fit in respect of such reassessment or audit, acting in its sole discretion; and
- (b) shall submit any response or materials in answer to any such reassessment or audit to the other Parties in draft form within a reasonable period of time prior to the date on which it is required by law to be filed with the relevant tax authority.

ARTICLE 11 **GENERAL**

11.1 **Dispute Resolution**

The Parties will attempt to resolve any dispute arising hereunder through consultation and negotiation in good faith. If those attempts fail, and the Parties agree to refer the dispute to binding arbitration for final resolution or if a provision of this Agreement provides that a dispute will be resolved by binding arbitration, the arbitration will be conducted by a sole arbitrator appointed upon the mutual agreement of the Parties in accordance with arbitration rules of the International Chamber of Commerce.

11.2 **Costs and Expenses**

Except as specifically provided herein, all legal and other costs and expenses in connection with this Agreement and the Transaction contemplated hereby shall be paid by the Party that incurred the same.

11.3 **Further Assurances**

From time to time, as and when reasonably requested by either Party, the other Party shall execute and deliver or cause to be executed and delivered all such documents and instruments and shall take or cause to be taken all such further or other actions to implement or give effect to the Transaction contemplated hereby, provided such documents, instruments or actions are consistent with the provisions of this Agreement and accepted industry practices. All such further documents, instruments or actions shall be delivered or taken at no additional consideration other than reimbursement of any expenses reasonably incurred by the Party providing such further documents or instruments or performing such further acts, by the Party at whose request such documents or instruments were delivered or acts performed.

11.4 **No Merger**

There shall not be any merger of any of the covenants, representations, warranties and indemnities contained in this Agreement or any other document or instruments delivered pursuant hereto, at or after Closing, notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived. Each Party will have full right of substitution and subrogation in and to all covenants and warranties by Third Parties previously given or made in respect of the Assets or any part thereof to the extent the provisions of the contracts or other arrangements with the Third Parties so permit.

11.5 **Entire Agreement**

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof.

11.6 **Governing Law**

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in all respects, be treated as a contract made in the Province of Alberta.

11.7 **Interest Accrues on Amounts Owing**

Any amount owing to a Party by the other Party hereunder after Closing and remaining unpaid will bear interest, compounded and computed monthly at the rate of two percent (2%) per annum above the Prime Rate, from the day that the amount was due to be paid until the day it is paid, regardless of whether the Party has given the other Party prior notice of the accrual of interest hereunder.

11.8 **Assignment**

Neither this Agreement nor any of the rights or obligations under this Agreement may be assigned by a Party without the prior written consent of the other Parties, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns. No Person other than the Parties and their successors and permitted assigns shall be entitled to any rights or benefits hereunder.

11.9 **Time of Essence**

Time shall be of the essence in this Agreement.

11.10 **Notices**

The addresses for service of the Parties shall be as follows:

IDESA: Grupo Idesa, S.A. de C.V.
Bosque de Radiatas 34 Col. Bosques de las Lomas Del. Cuajimalpa C.P.
05120 Mexico, D.F.

Attention: Patricio Gutiérrez Fernández

Fax: _____

E-mail: pgutierrez@idesa.com.mx

IFR/Frontera: International Frontier Resources Corporation
Suite 2400, 601 – 10th Avenue SW
Calgary, AB T2R 0B2

Attention: Steve Hanson, President
Fax: (403) 215-2788
E-mail: shanson@internationalfrontier.com

Any notice, communication and statement required, permitted or contemplated hereunder shall be in writing and sent by personal service, facsimile or electronic transmission (including scan or e-mail) and shall be deemed received when delivery or reception of such facsimile or electronic transmission is complete except that, if such delivery or electronic transmission is sent on a Saturday, Sunday or day when the receiving Party's office is not open for the regular conduct of business, or on or after 4:00 p.m. Calgary time, such notice or communication shall be deemed to be received on the next Business Day that such office is open for the regular conduct of business. A Party may from time to time change its address for service or its fax number or e-mail address by giving written notice of such change to the other Party at its above address.

11.11 **Invalidity of Provisions**

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.12 **Waiver**

Except as otherwise provided in this Agreement, no failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. Except as otherwise provided in this Agreement, no waiver of any provision of this Agreement, including, this Section 11.12, shall be effective otherwise than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized Representative of the Party making such waiver.

11.13 **Amendment**

Except as provided in Section 11.10, this Agreement shall not be varied in its terms or amended by oral agreement or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.14 **Public Announcements**

Neither IFR nor IDESA will make any press release or other public announcement respecting this Agreement and the Option without the consent of the other Party except to the extent the other Party unreasonably withholds or delays consent and the Party desiring to make the press release or other public announcement is advised by its counsel that the release or announcement is required to comply with any Applicable Law or the rules of any listing authority or stock exchange with which the disclosing Party is bound to comply. A Party that proposes to make such a public disclosure shall, to the extent reasonably possible, provide the other Parties with a draft of such statement in sufficient time prior to its release to enable the other Parties to review such draft and advise of any comments they may have with respect thereto, it being understood that, notwithstanding the above of this Section 11.14, upon the signing of this Agreement, each Party to this Agreement will be permitted to immediately issue a press release announcing the Transaction in the form of new release required by Applicable Laws. The Party proposing to make the public disclosures will not unreasonably refuse to incorporate the requested changes in the public announcement that are necessary to protect the legitimate interests of the requesting

Party except to the extent its counsel advises that doing so will result in non-compliance with Applicable Law or the rules of the applicable listing authority or stock exchange.

11.15 **Survival**

Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing for the period as set forth in Section 6.3. All covenants, agreements and indemnities of the Parties contained herein shall survive the Closing indefinitely or for the period explicitly specified therein. Notwithstanding the foregoing, any Claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party before the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such Claims shall survive until finally resolved or the expiry of the limitation period under Applicable Law, whichever is sooner.

[THE EXECUTION PAGE FOLLOWS.]

11.16 Counterpart Execution

This Agreement may be executed by facsimile, other electronic means (including pdf) and in counterpart, no one copy of which need be originally executed by the Parties hereto. A valid and binding contract shall arise if and when counterpart execution pages (including as may be delivered by facsimile or other electronic means) are executed and delivered by IDESA, IFR, Frontera and the Corporation.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

**INTERNATIONAL FRONTIER
RESOURCES CORPORATION**

PETRO FRONTERA, S.A.P.I. DE C.V.

Per: Signed "Steve Hanson"
Name: Steve Hanson
Title: President and CEO

Per: Signed "Steve Hanson"
Name: Steve Hanson
Title: Director

GRUPO IDESA, S.A. DE C.V.

TONALLI ENERGIA S.A.P.I. DE C.V.

Per: Signed "Jose Luis Uriegas"
Name: Jose Luis Uriegas
Title: Attorney in Fact

Per: Signed "Andrew Fisher"
Name: Andrew Fisher
Title: Director General

SCHEDULE "A"
OFFICER'S CERTIFICATE

IFR AND FRONTERA'S OFFICER'S CERTIFICATE

FROM: INTERNATIONAL FRONTIER RESOURCES CORPORATION ("IFR")
and PETRO FRONTERA, S.A.P.I. DE C.V. (the "Frontera")

TO: GRUPO IDESA, S.A. DE C.V. (the "IDESA")

RE: Share option agreement dated September 25, 2018, among IFR, Frontera, Tonalli Energia S.A.P.I. de C.V. and IDESA (the "Share Option Agreement")

I, [name], [title] of IFR and [title] of Frontera, hereby certify on behalf of IFR and Frontera and not in my personal capacity that:

1. I am the [title] of IFR and [title] of Frontera and as such have personal knowledge of the matters in this Certificate.
2. All of the representations and warranties of IFR and Frontera contained in the Share Option Agreement are true and correct in all material respects as of the date hereof except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties are true and correct as of such earlier date, provided that for the purposes of this certificate, all representations and warranties of IFR and Frontera shall be read as if none of them contained any materiality qualification.
3. All of the covenants and agreements of IFR and Frontera to be observed and performed, and all the documents to be delivered by IFR and Frontera, on or before the Closing Date (as defined in the Share Option Agreement) pursuant to the terms of the Share Option Agreement have been duly observed and performed in all material respects as of the date hereof, other than those that have been waived in writing by IDESA.
4. Since the date of the Share Option Agreement, no Material Adverse Change has occurred in respect of IFR and is continuing at the date of this certificate and no IFR Change of Control has occurred.
5. I am aware that IDESA is relying on this Certificate in completing the Closing (as defined in the Share Option Agreement).

DATED as of the ___ day of _____, 20___.

[name], [title]

**INTERNATIONAL FRONTIER RESOURCES
CORPORATION**

[name], [title]

**PETRO FRONTERA, S.A.P.I. DE C.V.
IDESA'S OFFICER'S CERTIFICATE**

FROM: GRUPO IDESA, S.A. DE C.V. (the “IDESA”)

**TO: INTERNATIONAL FRONTIER RESOURCES CORPORATION (“IFR”)
and PETRO FRONTERA, S.A.P.I. DE C.V. (the “Frontera”)**

**RE: Share option agreement dated September 25, 2018, among IFR, Frontera, Tonalli
Energia S.A.P.I. de C.V. and IDESA (the “Share Option Agreement”)**

I, **[name]**, **[title]** of IDESA, hereby certify on behalf of IDESA and not in my personal capacity that:

1. I am the **[title]** of IDESA and as such have personal knowledge of the matters in this Certificate.
2. All of the representations and warranties of IDESA contained in the Share Option Agreement are true and correct in all material respects as of the date hereof except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties are true and correct as of such earlier date, provided that for the purposes of this certificate, all representations and warranties of IDESA shall be read as if none of them contained any materiality qualification.
3. All of the covenants and agreements of IDESA to be observed and performed, and all the documents to be delivered by IDESA, on or before the Closing Date (as defined in the Share Option Agreement) pursuant to the terms of the Share Option Agreement have been duly observed and performed in all material respects as of the date hereof, other than those that have been waived in writing by IFR and Frontera.
4. I am aware that IFR and Frontera are relying on this Certificate in completing the Closing (as defined in the Share Option Agreement).

DATED as of the ___ day of _____, 20___.

[name]
[title]
GRUPO IDESA, S.A. DE C.V

SCHEDULE "B"
UNDERTAKING AGREEMENT

UNDERTAKING AGREEMENT

To: International Frontier Resources Corporation (“IFR” or the “Corporation”)

Re: IDESA DIRECTORS

WHEREAS pursuant to a share option agreement (the “**Share Option Agreement**”) dated September 25, 2018, among the Corporation, Petro Frontera, S.A.P.I. de C.V., Tonalli Energia S.A.P.I. de C.V. and Grupo Idesa, S.A. de C.V. (“**IDESA**”), following the Closing, IDESA shall have the right to appoint two individuals nominated by IDESA to the board of directors of IFR (“**IDESA Director**”);

AND WHEREAS pursuant to the Share Option Agreement, IDESA is required to provide this undertaking that it will vote any common shares of IFR (“**Common Shares**”) for the election/appointment of up to its two (2) IDESA Directors as directors of IFR and withhold from voting its Common Shares in respect of the other directors of IFR;

NOW THEREFORE in consideration of the sum of \$1.00, the covenants and agreements set forth in the Share Option Agreement and other valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Share Option Agreement.
2. IDESA hereby understands, acknowledges and agrees that it shall:
 - a. vote its Common Shares in favor of the election/appointment of up to its two (2) IDESA Directors (or such greater number as the pro rata increase per Section 8.2(a)(i) of the Share Option Agreement requires) as directors of IFR; and
 - b. withhold its vote for any other directors nominated for appointment to the board of directors of the Corporation,

until IDESA no longer beneficially owns or controls, directly or indirectly, Common Shares of IFR, including securities exercisable, exchangeable or convertible into Common Shares of IFR, in an amount that is greater than 20% or more of the issued and outstanding Common Shares of IFR.

DATED this ____ day of ____, 20__.

GRUPO IDESA, S.A. DE C.V.

Per: _____

Name:

Title:

**SCHEDULE “C”
SHARE ADJUSTMENT PROVISIONS**

The rights of IDESA in relation to the number of IFR Consideration Shares issuable at Closing in respect of the Exercise Price will be adjusted from time to time upon the occurrence of the events as set forth herein and in accordance with the following adjustment provisions (“**Adjustment Provisions**”).

1. Definitions

In this Schedule “C”, unless there is something in the subject matter or context inconsistent herewith, the following terms shall have the following meanings, respectively:

“**Fair Market Value**” per Common Share at any date shall be the weighted average of the closing price for Common Shares for each day there was a closing price for the 20 consecutive trading days, commencing on the trading day immediately before such date, on the TSX Venture Exchange, the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ, or, if the Common Shares are not listed on any such exchange, then the highest price that would be obtained per Common Share at such date in an arm’s length sale in an open market, on a going concern basis, assuming a willing buyer and seller, without any discount for a minority interest or a private company or any premium for a special purchaser or control, without reference to any encumbrance or claim affecting any shares, and assuming the exchange or conversion of all in the money exchangeable or convertible securities; and

Terms not otherwise defined in this Schedule “C” have the meanings attributed to such terms in the Share Option Agreement to which this Schedule “C” is attached.

2. Adjustment of Number of IFR Consideration Shares

The rights in effect at any date in respect of the Option is subject to adjustment from time to time as follows:

- (a) If and whenever at any time after the Execution Date and prior to the Expiry Time, an adjustment in the number of IFR Consideration Shares issuable in respect of the Option, pursuant to Section 3 of this Schedule “C”, then the number of IFR Consideration Shares obtainable under the Option shall be adjusted simultaneously with such event by multiplying the number of IFR Consideration Shares purchasable on the exercise of the Option immediately prior to such adjustment by a fraction of which the numerator shall be the total number of Common Shares outstanding immediately after such date and the denominator shall be the total number of Common Shares outstanding immediately prior to such date. To the extent that any adjustment in IFR Consideration Shares occurs pursuant to this subsection 2(a) of this Schedule “C” as a result of the issuance or distribution of securities convertible into or exchangeable for Common Shares referred to in subsection 3(d) of this Schedule “C”, the number of IFR Consideration Shares purchasable upon exercise of the Option shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number of IFR Consideration Shares which would be received based upon the number of Common Shares actually issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right.

- (b) If and whenever at any time after the Execution Date and prior to the Expiry Time, there is a reclassification of the Common Shares (whether by continuance of IFR into another jurisdiction or otherwise) or a capital reorganization of IFR other than as described in subsection 2(a) of this Schedule "C" or a consolidation, amalgamation, arrangement or merger of IFR with or into any other body corporate, trust, partnership or other entity, or a sale or conveyance of the property and assets of IFR as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, IDESA, provided that the Closing has not occurred, at Closing shall be entitled to receive and shall accept, in lieu of the number of IFR Consideration Shares to which IDESA was theretofore entitled prior to such event, the number of shares or other securities or property of IFR or of the body corporate, trust, partnership or other entity resulting from such merger, amalgamation, arrangement or consolidation, or to which such sale or conveyance may be made, as the case may be, that IDESA would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance, if, on the effective date thereof IDESA had been the registered holder of the number of IFR Consideration Shares to which IDESA was theretofore entitled upon the exercise of the Option.
- (c) The adjustments in the number of IFR Consideration Shares which are to be received on the exercise of the Option as set forth in these Adjustment Provisions are cumulative. After any adjustment pursuant to these Adjustment Provisions, the term "Common Shares" where used in these Adjustment Provisions will be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to these Adjustment Provisions, IDESA is entitled to receive upon the exercise of the Option as a result of such adjustment and all prior adjustments pursuant to these Adjustment Provisions upon the full exercise of the Option.
- (d) No adjustment provided in this Schedule "C" may cause IDESA to be in a less favorable position in respect of the IFR Consideration Shares than the position derived from the exercise of the Option without any adjustment pursuant to this Schedule "C" in the number of IFR Consideration Shares to which IDESA is entitled.

3. Events for which an Adjustment will Occur

The number of IFR Consideration Shares for which IDESA is entitled to under the Option shall be subject to adjustment from time to time if and whenever at any time prior to the Expiry Time, IFR shall:

- (a) subdivide or divide its outstanding Common Shares into a greater number of shares;
- (b) reduce, combine or consolidate its outstanding Common Shares into a lesser number of shares;
- (c) issue Common Shares or securities exchangeable for or convertible into Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a share dividend;
- (d) issue rights or similar convertible securities to all or substantially all the holders of the outstanding Common Shares at the date of such issuance entitling such holders, for a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common

Shares) at a price per share (or having a conversion or exchange price per share) less than the Fair Market Value immediately prior to such issuance;

- (e) make a distribution to all or substantially all the holders of its outstanding Common Shares of:
 - (i) shares or securities of any class other than Common Shares; or
 - (ii) securities exchangeable for or convertible into such shares or securities of any class.

4. Notice of Adjustment

Promptly after the occurrence of any event which requires an adjustment in the number of IFR Consideration Shares to which IDESA is entitled and which are to be received upon the exercise of the Option and pursuant to these Adjustment Provisions, IFR shall forthwith deliver to IDESA a certificate of IFR specifying the particulars of such event and the required adjustment and the computation of such adjustment and give notice to IDESA of the particulars of such event and the required adjustment in the manner provided herein. Delivery of notice to as per the Agreement shall be deemed to be sufficient delivery of such notice.