



International Frontier Resources Corporation  
Condensed Consolidated Interim Financial  
Statements

For the Three and Nine-Month Periods Ended  
September 30, 2018 and 2017  
(unaudited)

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**International Frontier Resources Corporation**  
**Condensed Consolidated Interim Financial Statements**  
For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

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National Instrument 51-102 Notice

The condensed consolidated interim financial statements of International Frontier Resources Corporation (“the Company”) for the three and nine-month periods ended September 30, 2018 and 2017 have been compiled by management.

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

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**International Frontier Resources Corporation**  
**Condensed Consolidated Interim Statements of Financial Position**

(unaudited)

**As at:** **September 30,**  
**2018** **December 31,**  
**2017**

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**Assets**

Current

Cash and cash equivalents (Note 15)	\$ 1,541,480	\$ 5,640,735
Accounts receivable	1,032,615	318,940
Prepays and deposits	60,040	83,215
Due from Tonalli Enegia (Note 13)	<u>3,100,930</u>	-
	<b>5,735,065</b>	<u>6,042,890</u>

Restricted cash on deposit	300,000	300,000
Investment in TE Corporation (Note 13)	613,375	1,293,930
Exploration and evaluation assets (Note 5)	5,569,785	5,569,785
Property, plant and equipment (Note 6)	<u>4,170</u>	<u>4,985</u>
	<b>\$ 12,222,395</b>	<b>\$ 13,211,590</b>

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**Liabilities**

Current

Accounts payable and accrued liabilities	\$ 285,595	\$ 359,030
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**Shareholders' Equity**

Share capital (Note 7a)	54,479,530	52,895,985
Contributed surplus (Note 7b)	12,086,575	12,048,430
Deficit	<u>(54,629,305)</u>	<u>(52,091,855)</u>
	<b>11,936,800</b>	<b>12,852,650</b>
	<b>\$ 12,222,395</b>	<b>\$ 13,211,590</b>

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Commitments and contingencies (Note 14)

On behalf of the Board

**(Signed) "Ignacio Quesada"** \_\_\_\_\_ Director      **(Signed) "Gary Lyons"** \_\_\_\_\_ Director

See accompanying notes to the condensed consolidated interim financial statements

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

(Unaudited)

	<u>Three Months Ended September,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Expenses</b>				
General and administration	\$ <b>364,175</b>	\$ 286,985	\$ <b>1,235,950</b>	\$ 1,084,755
Pre-exploration costs	<b>74,400</b>	63,000	<b>205,260</b>	198,990
Depletion and depreciation (Note 6)	<b>280</b>	535	<b>815</b>	1,260
Share based compensation (Note 7)	<b>164,940</b>	-	<b>489,445</b>	-
Gain on disposition of properties (Note 9)	-	-	-	(677,055)
Loss (recovery) on equity investment (Note 13)	<b>146,520</b>	(32,945)	<b>707,770</b>	407,300
	<b><u>750,315</u></b>	<u>317,575</u>	<b><u>2,639,240</u></b>	<u>1,015,250</u>
<b>Finance income and expenses</b>				
Interest income	<b>39,425</b>	6,305	<b>73,460</b>	18,310
Foreign exchange gain (loss)	<b>70,140</b>	(23,000)	<b>28,330</b>	(42,400)
	<b><u>109,565</u></b>	<u>(16,695)</u>	<b><u>101,790</u></b>	<u>(24,090)</u>
Net income (loss) and comprehensive income (loss)	\$ <b><u>(640,750)</u></b>	\$ <u>(334,270)</u>	\$ <b><u>(2,537,450)</u></b>	\$ <u>(1,039,340)</u>
<b>Net loss per share</b> (Note 10)				
Basic and diluted	\$ <b><u>(0.00)</u></b>	\$ <u>(0.01)</u>	\$ <b><u>(0.02)</u></b>	\$ <u>(0.01)</u>

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See accompanying notes to the condensed consolidated interim financial statements.

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**International Frontier Resources Corporation**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
(Unaudited)

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As at:	September 30, 2018		September 30, 2017	
	Number	Amount	Number	Amount
<b>Common shares</b>				
Balance, beginning of period	144,395,885	\$ 52,895,985	100,690,845	\$ 44,854,935
Shares issued for cash	-	-	18,068,160	5,059,085
Shares issue on exercise of options	756,500	138,280	250,000	77,500
Shares issue on exercise of warrants	5,870,000	1,445,265	350,000	57,930
Share subscriptions receivable (Note 7)	-	-	-	(15,500)
Share Issue costs	-	-	-	(167,670)
Balance, end of period	<u>151,022,385</u>	<u>\$ 54,479,530</u>	<u>119,359,005</u>	<u>\$ 49,866,280</u>
<b>Contributed surplus</b>				
Balance, beginning of period		\$ 12,048,430		\$ 12,482,395
Share based compensation expense (Note 7)		489,445		-
Exercise of warrants		(388,665)		(14,930)
Exercise of stock options		(62,635)		(48,500)
Balance, end of period		<u>\$ 12,086,575</u>		<u>\$ 12,418,965</u>
<b>Deficit</b>				
Balance beginning of period		\$ (52,091,855)		\$ (48,709,100)
Net loss for the period		(2,537,450)		(1,039,340)
Deficit end of period		<u>\$ (54,629,305)</u>		<u>\$ (49,748,440)</u>

See accompanying notes to the condensed consolidated interim financial statements.

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2018	2017	2018	2017
<b>Operating</b>				
Net loss	\$ (640,750)	\$ (334,270)	\$ (2,537,450)	\$ (1,039,340)
Non cash items:				
Depletion and depreciation	280	535	815	1,260
Share based compensation	164,940	-	489,445	-
Loss on equity investment (Note 13)	146,520	(32,495)	707,770	407,300
Gain on sale of oil and gas properties (Note 9)	-	-	-	(677,055)
	<u>(329,010)</u>	<u>(366,680)</u>	<u>(1,339,420)</u>	<u>(1,307,835)</u>
Change in non-cash operating working capital (Note 15)	<u>(192,980)</u>	<u>(304,555)</u>	<u>(763,935)</u>	<u>(524,340)</u>
Cash flow from continuing operations	(521,990)	(671,235)	(2,103,355)	(1,832,175)
Cash flow from discontinued operations	-	-	-	(124,235)
	<u>(521,990)</u>	<u>(671,235)</u>	<u>(2,103,355)</u>	<u>(1,956,410)</u>
<b>Investing</b>				
Additions to exploration and assets (Note 5)	-	(20,390)	-	(81,040)
Investment in TE Corporation	(749,725)	(634,735)	(3,059,265)	(967,500)
Change in non-cash investing capital	<u>(38,335)</u>	<u>-</u>	<u>(68,885)</u>	<u>(124,235)</u>
	<u>(788,060)</u>	<u>(655,125)</u>	<u>(3,128,150)</u>	<u>(1,048,540)</u>
<b>Financing</b>				
Shares issued for cash (Note 7)	-	-	-	5,059,085
Warrants exercised	-	-	1,056,600	43,000
Stock options exercised	-	-	75,650	29,000
Share subscriptions receivable (Note 7)	-	-	-	(15,500)
Share issue costs	-	-	-	(167,660)
	<u>-</u>	<u>-</u>	<u>1,132,250</u>	<u>4,947,925</u>
Net increase (decrease) in cash and cash equivalents	(1,310,050)	(1,326,360)	(4,099,255)	1,942,975
Cash and cash equivalents (Note 15)				
Beginning of period	<u>2,851,530</u>	<u>5,213,755</u>	<u>5,640,735</u>	<u>1,944,420</u>
End of period	<u>\$ 1,541,480</u>	<u>\$ 3,887,395</u>	<u>\$ 1,541,480</u>	<u>\$ 3,887,395</u>

See accompanying notes to the condensed consolidated interim financial statements.

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

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### 1. Nature of operations

International Frontier Resources Corporation (the "Company") is an independent Canadian publicly traded company, the principle business of which is to acquire, develop, exploit and produce oil and natural gas in Mexico, the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada, and in north-west Montana in the United States. These consolidated financial statements are denoted in Canadian dollars.

The Company was incorporated under the Canada Business Corporations Act in Alberta, Canada in 1997. The Company is listed on the TSX Venture Exchange, having the symbol IFR-V. The address of the Company's corporate office and principal place of business is Suite 2410, 520 5<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada.

The consolidated financial statements include the accounts of the Company and its 99.80% owned Mexican subsidiary, Petro Frontera S.A.P.I de CV ("Frontera"), which is accounted for using the consolidation method. All inter-company transactions and balances are eliminated upon consolidation. The consolidated financial statements also include Frontera's 50% investment in Tonalli Energia S.A.P.I. de CV ("TE Corporation"), a Mexican company which is accounted for using the equity method.

### 2. Basis of preparation and statement of compliance

The condensed consolidated interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited Financial Statements at December 31, 2017.

The timely preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 27, 2018.

#### Basis of measurement

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

The Company's condensed consolidated interim financial statements include accounts of the Company and its subsidiaries and are expressed in Canadian Dollars, unless otherwise stated.

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

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### 3. Summary of significant accounting policies

These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements for the year ended December 31, 2017, except as identified in Note 4.

The preparation of unaudited interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Further information on the Company's significant accounting policies, future changes in accounting policies and estimates can be found in the notes to the audited financial statements for the year ended December 31, 2017.

### 4. New Accounting Policies

#### Accounting pronouncements adopted

On January 1, 2018, the Company adopted the following pronouncements as issued by the IASB. The adoption of these standards did not have a material impact on Company's consolidated financial statements.

#### i) IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9, "Financial Instruments" which replaced IAS 39 "Financial Instruments: Recognition and Measurement". The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated. The adoption of IFRS 9 did not have a material impact on the consolidated interim financial statements.

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

On January 1, 2018 the Company identified the business model used to manage its' financial assets and classified its financial instrument so into the appropriate IFRS 9 category.

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

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### 4. New Accounting Policies (continued)

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities.

Financial Instrument	Measurement Category	
	IAS 39	IFRS 9
Accounts receivable	Loans and receivables at amortized cost	Amortized cost
Due from Tonalli Energia	Loans and receivables at amortized cost	Amortized cost
Investment in Tonalli Energia	Financial assets at fair value through profit or loss	Fair value through profit or loss
Accounts payable and accrued liabilities	Financial liabilities at amortised cost	Amortized cost

#### ii) IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

The Company has determined that IFRS 15 will not affect the current financial statements as the Company currently does not have any revenue contracts.

#### **Accounting standards, interpretations and amendments to existing standards, not yet effective**

The following accounting standards and amendments are effective for future periods. The impact of the adoption of the following pronouncements are currently being evaluated.

#### iii) IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 "Leases".

This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company is examining the impact of this standard on its consolidated financial statements.

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## International Frontier Resources Corporation

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

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#### 5. Exploration and evaluation assets

As at September 30, 2018, exploration and evaluation assets consist of total costs incurred less impairments in the the Central Mackenzie Valley (“CMV”), Northwest Territories, Canada and Montana, USA.

<b>Cost</b>	<b>Canada</b>	<b>USA</b>	<b>Total</b>
Balance, as at December 31, 2016	\$ 23,255,160	\$ 2,748,730	\$ 26,003,890
Additions	100,940	-	100,940
Balance at December 31, 2017	\$ 23,356,100	\$ 2,748,730	\$ 26,104,830
Additions	-	-	-
<b>Balance at September 30, 2018</b>	<b>\$ 23,356,100</b>	<b>\$ 2,748,730</b>	<b>\$ 26,104,830</b>

<b>Accumulated Impairment</b>	<b>Canada</b>	<b>USA</b>	<b>Total</b>
Balance, as at December 31, 2016	\$ (16,941,765)	\$ (2,103,865)	\$ (19,045,630)
Impairments	(844,550)	(644,865)	(1,489,415)
<b>Balance at December 31, 2017</b>	<b>\$ (17,786,315)</b>	<b>\$ (2,748,730)</b>	<b>\$ (20,535,045)</b>
Impairments	-	-	-
<b>Balance at September 30, 2018</b>	<b>\$ (17,786,315)</b>	<b>\$ (2,748,730)</b>	<b>\$ (20,535,045)</b>

<b>Carrying Value</b>			
Balance at December 31, 2017	\$ 5,569,785	\$ -	\$ 5,569,785
Balance at September 30, 2018	\$ 5,569,785	\$ -	\$ 5,569,785

As at September 30, 2018, there is no indication of impairment of the Company’s undeveloped properties included in exploration and evaluation assets and there was an impairment of \$Nil (December 31, 2017 - \$844,450) with respect to its properties in the Northwest Territories and \$Nil (December 31, 2017 - \$644,865) with respect to its properties in Montana.

The impairment charge at December 31, 2017 of \$1,489,415 is made up of

- (i) \$844,550 with respect to lease rentals paid to date on properties in the Northwest Territories as the Company plans to relinquish its remaining licenses.
- (ii) \$644,865 with respect to the remaining net book value of its properties in Montana as there has been no activity in the area and the Company does not have any plans for further development.

# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

### 6. Property, plant and equipment

Cost	Office furniture and equipment
Balance at December 31, 2016,	\$ 137,570
Additions	-
Balance at December 31, 2017	137,570
Additions	-
<b>Balance at September 30, 2018</b>	<b>\$ 137,570</b>
<b>Depletion and depreciation</b>	
Balance at December 31, 2016	\$ (131,020)
Depletion and depreciation	(1,565)
Balance at December 31, 2017	(132,585)
Depletion and depreciation	(815)
<b>Balance at September 30, 2018</b>	<b>\$ (133,400)</b>
<b>Carrying Value</b>	
Balance at December 31, 2017	\$ 4,985
Balance at September 30, 2018	\$ 4,170

### 7. Share Capital

#### a) Authorized:

Unlimited common shares, Unlimited preferred shares

	Number of Shares	Issue Price	Amount
<b>Balance at December 31, 2016</b>	<b>100,690,845</b>		<b>\$44,854,935</b>
Shares issued via private placement	18,068,160	\$0.28	5,059,085
Shares issued via exercise of warrants	23,050,000	\$0.10	2,305,000
Shares issued via exercise of warrants	2,161,880	\$0.13	281,045
Shares issued via exercise of warrants	100,000	\$0.18	18,000
Contributed surplus transferred on exercise of warrants			497,590
Shares issued via exercise of stock options	325,000	\$0.112	36,500
Contributed surplus transferred on exercise of stock options			27,000
Share issue costs			(195,670)
Share subscriptions collected			56,000
Share subscriptions receivable			(43,500)
Balance at December 31, 2017	144,395,885		\$52,895,985
Shares issued via exercise of warrants	5,870,000	\$0.18	1,056,600
Contributed surplus transferred on exercise of warrants			388,660
Shares issued via exercise of stock options	756,500	\$0.10	75,650
Contributed surplus transferred on exercise of stock options			62,635
<b>Balance at September 30, 2018</b>	<b>151,022,385</b>		<b>\$54,479,530</b>

# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

### 7. Share Capital (continued)

(i) On March 3, 2017, the Company closed a private placement for gross proceeds of \$5,059,085, (net \$4,911,340) which consisted of the issuance of 18,068,160 common shares at a price of \$0.28 per common share. All shares issued under the brokered placement and non-brokered placement are subject to restrictions on resale expiring July 4, 2017.

#### b) Contributed Surplus

	September 30, 2018	December 31, 2017
Balance, beginning of period	\$ 12,048,430	\$ 12,482,395
Stock options granted	489,445	90,625
Exercise of stock options	(62,635)	(27,000)
Exercise of warrants	(388,665)	(497,590)
Balance, end of period	\$ 12,086,575	\$ 12,048,430

#### c) Share Purchase Warrants

	September 30, 2018		December 31, 2017	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of period (i)	6,200,000	\$ 388,660	31,711,880	\$ 886,250
Expired (i)	(330,000)	(20,690)	(200,000)	(6,870)
Exercised (i)	(5,870,000)	(367,970)	(25,311,880)	(490,720)
Balance, end of period	-	\$ -	6,200,000	\$ 388,660

(i) On June 29, 2016, the Company completed a non-brokered private placement, consisting of the issue of 12,800,000 units at a price of \$0.125 per unit for gross proceeds of \$1,600,000. Each Unit consists of one common share of the Company and one-half common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.18 for a period of two years from the date of issuance.

At September 30, 2018 the Company issued 5,870,000 common shares at \$0.18 per share (2017 - 100,000 common shares at \$0.18 per share) pursuant to the exercise of these share purchase warrants.

# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

### 7. Share Capital (continued)

#### d) Stock Options

The Company has a stock option plan available to consultants, officers, directors, and employees of the Company to be granted options of up to 10 percent of the issued and outstanding common shares of the Company. The exercise price of each option approximates the market price for the common shares on the date the option was granted. As at September 30, 2018, 13,030,000 common shares were reserved for issuance under the plan. Options granted under the plan vest upon granting and have a term of five years to expiry.

#### Outstanding and exercisable

	<b>September 30, 2018</b>		December 31, 2017	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance, beginning of period	13,786,500	\$ 0.16	9,236,500	\$ 0.12
Granted	-	-	4,875,000	\$ 0.22
Exercised	<u>(756,500)</u>	<u>0.10</u>	<u>(325,000)</u>	<u>\$ 0.08</u>
Balance, end of period	<u>13,030,000</u>	<u>\$ 0.16</u>	<u>13,786,500</u>	<u>\$ 0.16</u>

<u>September 30, 2018</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
<u>Exercise Price</u>	<u>Options Outstanding</u>	<u>Weighted Average Contractual Life (years)</u>	<u>Weighted Average Exercise Price</u>	<u>Options Exercisable</u>	<u>Weighted Average Exercisable Price</u>
\$0.10	2,725,000	0.48	\$ 0.10	2,725,000	\$ 0.10
\$0.13 - \$0.15	5,430,000	2.26	\$ 0.14	5,430,000	\$ 0.14
\$0.22	4,875,000	4.18	\$ 0.22	4,875,000	\$ 0.22
	<u>13,030,000</u>	<u>1.15</u>	<u>\$ 0.16</u>	<u>13,030,000</u>	<u>\$ 0.16</u>

During the year ended December 31, 2017, the Company granted 4,875,000 stock options. The weighted average fair market value of options granted in the period was \$0.19 per option. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	<b>December 31, 2017</b>
Risk-free interest rate	1.77%
Forfeiture rate	2.00%
Expected life of options	5 years
Volatility	133.44%
Dividend yield rate	0%
Share price	\$ 0.22

Total compensation expense recorded in respect of these options for the nine months ended September 30, 2018 was \$324,505 (September 30, 2017 - \$90,625).

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
(Unaudited)

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### 8. Capital Disclosures

In the management of capital, the Company includes certain working capital balances in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. As at September 30, 2018, the Company's capital as defined above is as follows:

	<b>September 30, 2018</b>	December 31, 2017
Working capital balances included:		
Cash and cash equivalents	\$ 1,541,480	\$ 5,640,735
Restricted cash	300,000	300,000
Accounts receivable	1,032,615	318,940
Accounts payables and accrued liabilities	<u>(285,595)</u>	<u>(359,030)</u>
	<b><u>\$ 2,588,500</u></b>	<b><u>\$ 5,900,645</u></b>

The Company is in the business of oil and gas exploration in Mexico, the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada, and in north-west Montana in the United States. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business.

The majority of the properties in which the Company currently has an interest are in the exploration stage and do not generate any revenue. The Company therefore is dependent upon partnerships with industry and external financing to fund the majority of its future exploration programs. The Company will spend existing working capital and will seek additional financing as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential.

Historically, the Company has relied on proceeds from the sale of its common shares to fund its operations. In order to accelerate the Company's current exploration programs, the Company may require additional capital. The timing, pace, scope and amount of the Company's capital expenditures is largely dependent on the operators' capital expenditure programs and the availability of capital to the Company.

The Company may obtain funds for future capital investments from strategic alliances with other energy or financial partners, the issuance of additional common shares, preferred shares or debt securities, project financing, sale of property interests, or other arrangements, all of which may dilute the interest of the Company's existing shareholders. In the current economic environment, there can be no assurances that the Company can raise capital through the sale of its shares.

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

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### 9. Gain on disposal of assets

In December 2016, the Company entered into a preliminary agreement to sell its 100% interest in its oil properties in south east Alberta, Canada. On April 14, 2017, the Company completed the sale for consideration of \$1 and the reservation and granting to the Company of a conditional 2.5% gross overriding royalty as pursuant to a Gross Overriding Royalty Agreement.

At September 30, 2018 the conditions for the conditional gross overriding royalty have not been met and no amounts have been accrued or are owing with respect to the Gross Overriding Royalty Agreement.

Pursuant to the sale the Company booked the following gain on disposal of properties for the nine months period ended September 30, 2017:

Proceeds	\$	1
Book value of petroleum and natural gas properties		(486,709)
Recovery of decommissioning liabilities		1,194,365
Net loss from assets held for sale		<u>(30,600)</u>
		<u>677,055</u>
Gain on disposal of properties	<b>\$</b>	<b><u>677,055</u></b>

### 10. Per share amounts

	<u>Three Months ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net income (loss)	<b>\$ (640,750)</b>	\$ (334,270)	<b>\$ (2,537,450)</b>	\$ (1,039,340)
Weighted average number of shares	<u>144,677,658</u>	<u>111,461,119</u>	<u>144,677,658</u>	<u>111,461,119</u>
Loss per share	<b>\$ (0.00)</b>	\$ (0.01)	<b>\$ (0.02)</b>	\$ (0.01)

The Company has dilutive instruments outstanding, which consist of stock options and warrants. The dilutive impact of these instruments using the treasury stock method results in anti-dilution as a result of the Company incurring losses during the periods presented. As a result, diluted loss per share and the impact of these instruments on the weighted average number of shares outstanding is not presented in the financial statements.

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

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### 11. Related party transactions

In the third quarter the Company paid compensation to key executives as follows:

	<b>Nine months ended September 30, 2018</b>
Executive officers – salaries	\$ <b>456,000</b>
Stock based compensation	<b>363,135</b>
Director's Fees	<b>36,000</b>
	<b>\$ <u>855,135</u></b>

At September 30, 2018, \$12,000 (December 31, 2017 – \$12,000) of the above amounts were included in payables and accruals.

Also included in receivables at September 30, 2018 is \$789,225 (December 31, 2017 - \$238,740) representing amounts for reimbursement of overhead expenses owing from TE Corporation, in which the Company's wholly owned Mexican subsidiary, Frontera, has a 50% shareholding.

The above transactions were incurred in the normal course of operations of the Company and have been recorded at the exchange amounts that were established and agreed upon by the related parties.

### 12. Segmented information

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

#### a) Net loss and comprehensive loss

<b><u>Nine months September 30, 2018</u></b>	<b><u>Canada</u></b>	<b><u>Mexico</u></b>	<b><u>Total</u></b>
Expenses			
General and administration	\$ 1,223,300	\$ 12,650	\$ 1,235,950
Pre exploration costs	16,260	189,000	205,260
Depletion and depreciation	680	135	815
Loss on equity investment	-	707,770	707,770
Share based compensation	489,445	-	489,445
	<u>1,729,685</u>	<u>909,555</u>	<u>2,639,240</u>
Finance income and expenses			
Interest income	142,345	(68,885)	73,460
Foreign exchange gain (loss)	40,644	(12,314)	28,330
	<u>182,989</u>	<u>(81,199)</u>	<u>101,790</u>
Net loss and comprehensive loss	<u>\$ (1,546,696)</u>	<u>\$ (990,754)</u>	<u>\$ (2,537,450)</u>

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**International Frontier Resources Corporation**  
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**12. Segmented information (continued)**

<u>Nine months September 30, 2017</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 1,067,190	\$ 17,565	\$ 1,084,755
Pre exploration costs	-	198,990	198,990
Depreciation	1,050	210	1,260
Gain on disposition of properties	(677,055)	-	(677,055)
Loss on equity investment	-	407,300	407,300
	<u>391,185</u>	<u>624,065</u>	<u>1,015,250</u>
Finance income and expenses			
Interest income	\$ 18,310	-	18,310
Foreign exchange gain (loss)	<u>(29,360)</u>	<u>(13,040)</u>	<u>(42,400)</u>
	<u>(11,050)</u>	<u>(13,040)</u>	<u>(24,090)</u>
Net loss and comprehensive loss	<u>\$ 402,235</u>	<u>\$ (637,105)</u>	<u>\$ (1,039,340)</u>

<u>Three months September 30, 2018</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 358,325	\$ 5,850	\$ 364,175
Pre exploration costs	11,400	63,000	74,400
Depletion and depreciation	280	-	280
Loss on equity investment	-	146,520	146,520
Share based compensation	164,940	-	164,940
	<u>534,945</u>	<u>215,370</u>	<u>750,315</u>
Finance income and expenses			
Interest income	77,760	(38,335)	39,425
Foreign exchange gain (loss)	<u>128,545</u>	<u>(58,405)</u>	<u>70,140</u>
	<u>206,305</u>	<u>(96,740)</u>	<u>109,565</u>
Net loss and comprehensive loss	<u>\$ (328,640)</u>	<u>\$ (312,110)</u>	<u>\$ (640,750)</u>

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**International Frontier Resources Corporation**  
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**12. Segmented information (continued)**

<u>Three months September 30, 2017</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 284,970	\$ 2,015	\$ 286,985
Pre exploration costs	-	63,000	63,000
Depletion and depreciation	450	85	535
Gain on disposition of properties	-	-	-
Loss on equity investment	-	(32,945)	(32,945)
	<u>285,420</u>	<u>32,155</u>	<u>317,575</u>
Finance income and expenses			
Interest income	6,305	-	6,305
Foreign exchange gain (loss)	(10,110)	12,890	(23,000)
	<u>(3,805)</u>	<u>12,890</u>	<u>(16,695)</u>
Net loss and comprehensive loss	<u>\$ (289,225)</u>	<u>\$ (19,265)</u>	<u>\$ (334,270)</u>

**b) Assets**

**Period ended September 30, 2018**

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total assets	\$ 7,181,480	\$ 5,040,915	\$ 12,222,395

**Year ended December 31, 2017**

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total assets	\$ 11,641,250	\$ 1,570,340	\$ 13,211,590

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## International Frontier Resources Corporation

### Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

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#### 13. Investment in Associate

In Q3, 2018 the Company, through its Mexican subsidiary Petro Frontera S.A.P.I de CV (Frontera) has a 50% interest in a Mexican associated company TE Corporation. The investment is accounted for using the equity method.

The Company's investment in TE Corporation is as follows:

	<b>September 30, 2018</b>	December 31, 2017
Balance, beginning of period	\$ 1,293,930	\$ 365,780
Contributions	27,215	1,597,450
Share of losses for the period	<u>(707,770)</u>	<u>(669,300)</u>
Balance, end of period	<b>\$ 613,375</b>	<b>\$ 1,293,930</b>

At September 30, 2018 Frontera has contributed \$3,032,045 CAD equivalent to TE Corporation in the form of a shareholder loan pursuant to a shareholder loan agreement. Per the terms of the agreement the loan has a maturity date of December 31, 2018 and accrues interest at Libor plus 2.5%.

The balance of the shareholder loan receivable in CAD equivalent at September 30, 2018 is as follows:

	<b>September 30, 2018</b>
Shareholder loan receivable	\$ 3,032,045
Accrued Interest	<u>68,885</u>
Balance, end of the period	<b>\$ 3,100,930</b>

The Company periodically assesses its investments to determine whether there is any indication of impairment. When there is an indication of impairment. An impairment loss in respect of an equity-method accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss and is reversed if there is a favorable change in the estimates used to determine the recoverable amount.

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	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Cash	\$ 449,555	\$ 1,076,750
Current assets	1,602,710	315,620
Non-current assets	6,905,055	1,996,270
Current liabilities – payables and accruals	1,891,815	894,635
Current liabilities - shareholder Loan	6,201,860	-

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
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### 13. Investment in Associate (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Oil revenues net of royalties	\$ 83,030	\$ -	\$ 83,030	\$ -
Interest income	1,875	13,940	70,360	14,840
	\$ 84,905	\$ 13,940	\$ 153,390	\$ 14,840
Operating and administrative expenses	374,250	51,970	1,814,780	827,135
Depreciation	2,730	920	10,625	2,300
Total expenses	376,980	52,890	1,825,405	829,435
<b>Loss and comprehensive operating loss</b>	<b>(292,075)</b>	<b>(38,950)</b>	<b>(1,672,015)</b>	<b>(814,595)</b>

On September 26, 2018 the Company entered into a share option agreement (the "Option Agreement") with its joint venture partner, Grupo IDESA S.A. de C.V. (IDESA) pursuant to which the Company's wholly-owned Mexican subsidiary Frontera was granted the option (the 'Option') to purchase all of the outstanding shares in TE Corporation held by IDESA. Currently, Frontera holds 50% of the outstanding shares of TE Corporation with IDESA holding the remaining 50%.

Under the terms of the Option Agreement, Frontera has the right to acquire the outstanding shares of TE Corporation held by IDESA prior to the expiry date of September 25, 2020 upon payment of the exercise price in the amount of 70,000,000 common shares of the Company less the number of the Company's shares issued to IDESA prior to the exercise as part of the future private placement as set out in the Option Agreement. Pursuant to the Option Agreement IDESA has agreed to subscribe for IFR Shares in the aggregate amount of a minimum of CDN\$1,000,000 as part of a future private placement of the Company's shares to be completed by the Company before March 25, 2019.

The exercise of the Option is subject to certain customary closing conditions, as well as the approval of the TSX Venture Exchange and the National Hydrocarbons Commission of Mexico.

### 14. Commitments and contingencies

- a) The Company has issued a letter of credit for its share of a refundable deposit on Northwest Territories exploration license. The letter of credit is secured by a total assignment of cash of \$300,000 (December 31, 2017 – \$300,000). The Company is contingently liable under the letter of credit for \$300,000 (December 31, 2017 - \$300,000). The deposit will be reduced by \$1 for every \$4 spent on qualified expenditures on the exploration license.
- b) Effective December 1, 2016 the Company is party to an agreement to lease its new premises until June 29, 2019. The annual rent of the premises will consist of minimum rent plus occupancy costs. Minimum rent plus occupancy costs to the end of the lease is as follows:

2018	\$ 12,250
2019	\$ 25,000

# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2018 and 2017  
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### 14. Commitments and contingencies (continued)

On August 25, 2016, the Company's 50% owned Joint Venture, TE Corporation, met all of the terms and conditions and signed a license contract with the Mexico Comision Nacional de Hidrocarburos (CNH) for the Onshore Oil and Gas Development Block 24, Tecolutla, granting TE Corporation the right to develop and produce hydrocarbons. As required by the CNH, TE Corporation secured from a Mexican institution a US\$1,764,100 performance bond toward the guarantee of performance of the minimum work programs. In conjunction with this, in 2017, the Company announced the closing of an Account Performance Security Guarantee (APSG) facility of US \$882,050 with Export Development Canada ("EDC"). The APSG ("Account Performance Security Guarantee Facility") is provided as 50% of a performance bond issued by the Company's 50% owned joint venture company TE Corporation. Upon completion of the minimum work program, the performance bond will be returned.

TE Corporation was required to fulfil the Minimum Work Program by performing any combination of tasks to earn 4,600 Work Units. As at September 30, 2018, TE Corporation had drilled one well to earn 4,000 Work Units and completed the majority of the work to required as part of a work-over and a combination of other activities to earn the remaining 600 Work Units to satisfy the Minimum work requirement under the License Contract. Subsequent to the period TE Corporation has received accreditation for the 4,000 work units with respect to drilling one well and is working on completing the required activities and applying for accreditation of its remaining 600 work units

On July 6, 2018 TE Corporation received approval from CNH to extend its Tecolutla evaluation plan. Subject to final approval for the modification of the work program, Tonalli intends to perform an additional workover and drill a horizontal well as part of this extension. As a result, TE Corporation posted an additional performance bond relative to the new work program in the amount of US\$1,534,000.

### 15. Supplemental cash flow information

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

	Three Months ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Accounts receivables	\$ (153,405)	\$ (201,150)	\$ (713,675)	\$ (328,685)
Prepays	19,690	43,300	23,175	(104,025)
Accounts Payable and Accrued liabilities	<u>(59,265)</u>	<u>(146,705)</u>	<u>(73,435)</u>	<u>(91,630)</u>
	\$ <u>(192,980)</u>	\$ <u>(304,555)</u>	\$ <u>(763,935)</u>	\$ <u>(524,340)</u>
Operating activities	\$ <u>(192,980)</u>	\$ <u>(304,555)</u>	\$ <u>(763,935)</u>	\$ <u>(524,340)</u>
Interest paid	\$ -	\$ -	\$ -	\$ -

Cash and cash equivalents are comprised of:

	September 30, 2018	December 31, 2017
Cash on hand - Canada	\$ 228,275	\$ 2,372,310
Cash on hand Mexico	1,313,205	268,425
Short term investments (bearing interest rates ranging from 0.75% - 1.25%)	-	3,000,000
	\$ <u>1,541,480</u>	\$ <u>5,640,735</u>

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

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### 16. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, restricted cash on deposit, accounts receivable, and accounts payable and accrued liabilities. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

#### a) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

Substantially all of the receivables with joint venture partners in the oil and gas industry are subject to normal industry credit risks. Management does not believe that there is significant credit risk arising from any of the Company's customers or partners, as substantially all amounts outstanding at September 30, 2018 have been received subsequent to the end of the period. The maximum exposure to loss arising from accounts receivable at any given time is equal to their total carrying amounts on the balance sheet.

The following table presents the aging of the Company's accounts receivable at September 30, 2018.

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 1,032,615	\$ 328,730	\$ 70,260	\$ 63,320	\$ 570,305

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets. There are no material financial assets that are past due. During the year ended September 30, 2018, there was no allowance for doubtful accounts recorded, as all amounts outstanding at September 30, 2018 are deemed collectible.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance account. At September 30, 2018, the Company's allowance for doubtful accounts balance was \$Nil (December 31, 2017 – \$Nil).

#### b) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company's interest rate price risk with respect to funds invested in short term marketable securities. As at September 30, 2018, the Company did not have any financial assets based on variable interest rates and as such the Company has no specific interest rate risk at year-end. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate risk.

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

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### 16. Financial Instruments (continued)

#### c) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company has financial instruments denominated in US dollars and Mexican pesos. The Company's management monitors the exchange rate fluctuations on a regular basis. The Company does not use currency derivative instruments to manage the Company's exposure to foreign currency fluctuations.

At September 30, 2018, the carrying amount of the Company's Mexican Pesos denominated net monetary assets was approximately \$19,166,710 Pesos. Assuming all other variables remain constant, a fluctuation of one percent in the exchange rate of the Canadian dollar to the Mexican Pesos at September 30, 2018 would have affected the value of such balances by approximately \$191,665 CAD.

At September 30, 2018, the carrying amount of the Company's U.S. Dollar denominated monetary assets was approximately US \$107,425. Assuming all other variables remain constant, a fluctuation of one percent in the exchange rate of the Canadian dollar to the U.S. Dollar at September 30, 2018 would have affected the value of such balances by approximately \$1,065 CAD.

#### d) Liquidity Risk

Liquidity risk includes the risk that:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete budgeted capital expenditures are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, opening cash and cash equivalents balance, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, and cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and access to equity markets. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing.

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# International Frontier Resources Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

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### 16. Financial Instruments (continued)

#### e) Fair value of financial instruments

The Company classifies the fair value of financial instruments at fair value through profit or loss according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At September 30, 2018 and December 31, 2017 cash and cash equivalents and restricted cash on deposit have been classified as Level 1.