



International Frontier Resources Corporation
Interim Unaudited Condensed Consolidated Financial
Statements

For the Nine and Three Month Periods Ended
September 30, 2023 and 2022

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International Frontier Resources Corporation
Condensed Consolidated Interim Financial Statements
For the nine and three month periods ended September 30, 2023 and 2022
(Unaudited)

National Instrument 51-102 Notice

The condensed consolidated interim financial statements of International Frontier Resources Corporation (“the Company”) For the nine and three month periods ended September 30, 2023 and 2022 have been compiled by management.

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

International Frontier Resources Corporation

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

As at	September 30, 2023	December 31, 2022
Assets		
Current		
Cash and cash equivalents (Note 11)	\$ 57,425	\$ 25,470
Accounts receivable	44,665	43,460
Prepays and deposits	17,280	17,080
	<u>\$ 119,370</u>	<u>\$ 86,010</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 570,250	\$ 529,920
Due to related parties (Note 9)	838,285	347,695
	<u>1,408,535</u>	<u>877,615</u>
Long term debt (Note 4)	52,580	50,090
	<u>1,461,115</u>	<u>927,705</u>
Shareholders' (Deficit) Equity		
Share capital (Note 5a)	58,671,850	58,671,850
Contributed surplus (Note 5b)	12,789,650	12,789,650
Deficit	(72,803,245)	(72,303,195)
	<u>(1,341,745)</u>	<u>(841,695)</u>
	<u>\$ 119,370</u>	<u>\$ 86,010</u>

Going concern (Note 2)
Subsequent event (Note 13)

On behalf of the Board of Directors

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Expenses				
General and administration	\$ 88,795	\$ 122,390	\$ 355,430	\$ 429,385
Share based compensation	-	-	-	22,865
Gain on settlement of convertible debenture	-	(160,390)	-	(678,835)
Forgiveness of line of credit	-	(6,070)	-	(394,105)
Impairment of investments in associate	-	-	-	152,850
Impairment of shareholder loans receivable	-	3,380,890	-	3,380,890
Gain on expiration of Letter of Intent (Note 9)	(472,780)	-	(472,780)	-
Loss on equity investment (Note 9)	564,590	128,500	564,590	128,500
	<u>180,605</u>	<u>3,465,320</u>	<u>447,240</u>	<u>3,041,550</u>
Finance income and expenses				
Interest income	-	48,135	-	105,495
Accretion on long term debt (Note 4)	(830)	(830)	(2,490)	(2,490)
Interest on convertible debenture	-	1,155	-	(45,390)
Interest on line of credit	-	-	-	(6,820)
Foreign exchange gain (loss)	(945)	339,000	(50,320)	395,875
	<u>(1,775)</u>	<u>387,460</u>	<u>(52,810)</u>	<u>446,670</u>
Net loss and comprehensive loss	<u>\$(182,380)</u>	<u>\$(3,077,860)</u>	<u>\$(500,050)</u>	<u>\$(2,594,880)</u>
Net loss per share (Note 7)				
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>

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

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

(Unaudited)

	September 30, 2023		September 30, 2022	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	299,107,939	\$ 58,671,850	299,107,939	\$ 58,671,850
Balance, end of period	299,107,939	\$ 58,671,850	299,107,939	\$ 58,671,850
Contributed surplus				
Balance, beginning of period		\$ 12,789,650		\$ 12,766,785
Share based compensation expense (Note 5b)		-		22,865
Balance, end of period		\$ 12,789,650		\$ 12,789,650
Deficit				
Balance beginning of period		\$ (72,303,195)		\$ (69,244,620)
Net loss for the period		(500,050)		(2,594,880)
Balance, end of period		\$ (72,803,245)		\$ (71,839,500)
Total shareholders' deficit		\$ (1,341,745)		\$ (378,000)

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

International Frontier Resources Corporation

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating				
Net loss	\$ (182,380)	\$(3,077,860)	\$ (500,050)	\$(2,594,880)
Non-cash items:				
Accretion of long term debt (Note 4)	830	830	2,490	2,490
Share based compensation	-	-	-	22,865
Impairment of investment in associate	-	-	-	152,850
Impairment of shareholder loans receivable	-	3,380,890	-	3,380,890
Gain on settlement of convertible debenture	-	(160,390)	-	(678,835)
Gain on settlement of convertible debenture	-	(6,070)	-	(394,105)
Gain on expiration of Option Agreement (Note 9)	(472,780)	-	(472,780)	-
Loss on equity investment (Note 9)	564,590	115,375	564,590	115,375
Unrealized foreign exchange (gain) loss	1,515	(342,255)	45,695	(402,305)
Change in non-cash working capital (Note 11)	71,030	37,160	38,715	131,100
Cash flow used in operations	<u>(17,195)</u>	<u>(52,320)</u>	<u>(321,340)</u>	<u>(264,555)</u>
Investing				
Shareholder loans	-	179,900	-	(310,260)
Equity investment in associates	(118,840)	(115,375)	(118,840)	(115,375)
Drilling deposit	-	-	-	505,480
Deposit on Option Agreement (Note 9)	115,120	-	472,780	-
Change in non-cash investing capital (Note 11)	3,720	(55,835)	3,720	(122,375)
Cash flow from (used in) investing activities	<u>-</u>	<u>8,690</u>	<u>357,660</u>	<u>(42,530)</u>
Financing				
Line of credit	-	-	-	380,125
Convertible debenture	-	-	-	(374,940)
Change in non-cash financing capital (Note 11)	-	-	-	54,680
Cash flow from financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,865</u>
Foreign exchange gain (loss) on cash held in foreign currencies	600	6,015	(4,365)	3,250
Net change in cash and cash equivalents	<u>(16,595)</u>	<u>(37,615)</u>	<u>31,955</u>	<u>(243,970)</u>
Cash and cash equivalents				
Beginning of period	<u>74,020</u>	<u>99,975</u>	<u>25,470</u>	<u>306,330</u>
End of period	<u>\$ 57,425</u>	<u>\$ 62,360</u>	<u>\$ 57,425</u>	<u>\$ 62,360</u>

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

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the nine and three month periods ended September 30, 2023 and 2022

(Unaudited)

1. Nature of operations

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

The Company was incorporated under the Canada Business Corporations Act in Alberta, Canada in 1997. The Company is listed on the TSX Venture Exchange, having the symbol IFR-V. The address of the Company’s corporate office and principal place of business is Suite 1320, 396 11th 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 48.30% investments in Tonalli Energia S.A.P.I. de CV (“Tonalli”), a Mexican company which is accounted for using the equity method and its 99.80% interest in Energia Mex Can (“Mexcan”), a Mexican company which is accounted for using the consolidation method.

On December 14, 2022, the Company entered into a non-binding Letter of Intent (“LOI”) dated November 28, 2022, with Jaguar Exploration and Produccion 2.3, S.A.P.I. de C.V. (“Jaguar”) with respect to a Farm-in Arrangement of Jaguar’s 100% undivided working interest in the TM-01 License Contract in the Veracruz state of Mexico. (the “Proposed Farm-In Arrangement”). On May 9, 2023 the Company announced it had entered into an agreement with Jaguar giving Jaguar the option to extend the Proposed Farm-in Arrangement or to purchase IFR’s shares of Tonalli (the “Letter of Intent”). Pursuant to the execution of this agreement on May 2, 2023 the Company received a deposit of US\$262,500. On July 28, 2023 the Company announced that the Letter of Intent has been extended to August 31, 2023 in exchange for an additional deposit of US\$87,500. On August 31, 2023, neither option per the Letter of Intent was exercised and the Letter of Intent expired. (See Note 9.)

2. Basis of preparation and statement of compliance

Statement of compliance

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

These financial statements were approved and authorized for issue by the Board of Directors on November 29, 2023.

Basis of measurement

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

The Company’s financial statements include the accounts of the Company and its subsidiary and are expressed in Canadian dollars, unless otherwise stated.

International Frontier Resources Corporation
Notes to the Condensed Consolidated Interim Financial Statements
For the nine and three month periods ended September 30, 2023 and 2022
(Unaudited)

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

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company had a net loss of \$500,050 and cash flows used in operations of \$321,340 for the period ended September 30, 2023 and a working capital deficit of \$1,289,165 as at September 30, 2023. The Company's only revenue generating activities are related to its investment in Tonalli which has been incurring losses and using cash in its operating activities since inception.

The Company's ability to continue as a going concern is dependent on its ability to raise capital in the near term. Capital is required to fund ongoing general and administrative costs, the working capital deficit and for further development and operations of the Company, specifically Tonalli. There is no guarantee that capital can be raised, and, if it can, whether the further development of Tonalli will result in successful operating results and cash flows. If the Company does not raise capital in the near term, there is risk that the Company may be required to seek creditor protection or be forced to sell assets of the Company. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these financial statements and that the Company will meet its operating and capital requirements. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

Functional and presentation currency

The financial statements are presented in Canadian dollars which is the Company's reporting currency. The Company's subsidiaries transact in currencies other than the Canadian dollar and have a functional currency of Mexican peso. The functional currency of a subsidiary is the currency of the primary economic environment in which the subsidiary operates. Transactions denominated in a currency other than the functional currency are translated at the prevailing rates on the date of the transaction. Any monetary items held in a currency which is not the functional currency of the subsidiary are translated to the functional currency at the prevailing rate as at the date of the statement of financial position. All exchange differences arising as a result of the translation to the functional currency of the subsidiary are recorded in net earnings.

Translation of all assets and liabilities from the respective functional currencies to the reporting currency are performed using the rates prevailing at the statement of financial position date. The differences arising upon translation from the functional currency to the reporting currency are recorded as currency translation adjustments in other comprehensive income (loss) and are held within accumulated other comprehensive income (loss) until a disposal or partial disposal of a subsidiary. A disposal or partial disposal will then give rise to realized foreign exchange gain or loss which is recorded in net earnings.

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the nine and three month periods ended September 30, 2023 and 2022

(Unaudited)

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

Significant accounting judgments, estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

- Amounts recorded for depletion, depreciation and impairment expense, accretion expense, decommissioning liabilities, fair value measurements, and amounts used in impairment tests for exploration and evaluation assets, and property, plant and equipment are based on estimates. These estimates include petroleum and natural gas reserves, future petroleum and natural gas prices, future interest rates and future costs required to develop those reserves as well as other fair value assumptions.
- Oil and gas reserves are evaluated by an independent qualified reserve evaluator. The estimation of reserves is an inherently complex process and involves the exercise of professional judgment. Estimates are based on projected future rates of production, estimated commodity prices, engineering data and the timing of future expenditures, all of which are subject to uncertainty. Changes in reserve estimates can have an impact on reported net earnings through revisions to depletion and impairment expense, in addition to determining possible impairments of property, plant and equipment.
- The total decommissioning liabilities is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years, based on current legal and constructive requirements and technology. The estimated obligations and actual costs may change significantly due to changes in regulations, technology, timing of the expenditure, and the discount rates used to determine the net present value of the obligations.
- The Company uses the Black-Scholes option pricing model in determining share-based compensation expense, which requires a number of assumptions to be made, including the risk-free interest rate, expected life of options and warrants, forfeiture rate, and expected share price volatility. Consequently, the actual share-based compensation expense may vary from the amount estimated.
- The determination of the type of joint arrangement as either a joint operation or a joint venture is based on management's determination of whether it has joint control over another entity and

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the nine and three month periods ended September 30, 2023 and 2022

(Unaudited)

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

considerations include assessment of contractual agreements for unanimous consent of the parties on decision making of relevant activities. Once classified as a joint arrangement, management assesses whether it is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity the direct right to the assets and obligations for the liabilities within the normal course of business, as well as the entity's rights to the economic benefit of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

- Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters.

The recoverable amount of a cash-generating unit ("CGU"), an equity accounted investment or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. Current geopolitical events, including the invasion of Ukraine, inflation increases and volatility in commodity pricing have increased the risk of measurement uncertainty in determining the estimated recoverable amounts, especially estimating the economic proved and probable oil and gas reserves and the related cash flows, and estimating forecasted oil and gas commodity prices.

3. Summary of significant accounting policies

The condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the consolidated financial statements for the fiscal year December 31, 2022.

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, 2022.

4. Long term debt

	September 30, 2023	December 31, 2022
Principal	\$ 60,000	\$ 60,000
Less: amortized below market interest benefit	(16,540)	(16,540)
Accretion	9,120	6,630
Balance, end of period	\$ 52,580	\$ 50,090

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the nine and three month periods ended September 30, 2023 and 2022

(Unaudited)

4. Long term debt (continued)

In 2020, the Company applied for and received a \$60,000 term loan under the Canada Emergency Business Account (the "CEBA term loan"), which was one of the Canadian government's COVID-19 economic recovery measures. The CEBA term loan is non-interest bearing for the initial term ending on December 31, 2022 (the "Initial Term"). If the loan was paid off by December 31, 2022, 33% of the loan would have been forgiven. In October 2023, the initial term for repayment of the CEBA loan was extended to January 18, 2024. If the CEBA term loan is not fully repaid by the end of the Initial Term, then the unpaid balance will bear interest at the rate of 5% per annum, payable monthly, and will mature on December 31, 2025.

In calculating the fair value of the loan, the Company applied an effective interest rate of 17% which corresponds to a rate that the Company would have obtained for a similar investment.

5. Share capital

a) Authorized:

Unlimited common shares, Unlimited preferred shares

	Number of Shares		Amount
Balance at December 31, 2022 and September 30, 2023	299,107,939	\$	58,671,850

b) Contributed surplus

	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 12,789,650	\$ 12,766,785
Share based compensation	-	22,865
Balance, end of period	\$ 12,789,650	\$ 12,789,650

c) Stock options

The Company has a stock option plan available to consultants, officers, directors, and employees of the Company to be granted options of up to 10 percent of the issued and outstanding common shares of the Company. The exercise price of each option approximates the market price for the common shares on the date the option was granted. As at September 30, 2023 6,600,000 common shares were reserved for issuance under the plan. Options granted under the plan vest within two years of the grant date and have a term of five years to expiry.

	September 30, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	6,900,000	\$ 0.08	10,575,000	\$ 0.13
Granted	-	-	-	-
Expired/cancelled	(300,000)	(0.16)	(3,675,000)	(0.22)
Balance, end of period	6,600,000	\$ 0.08	6,900,000	\$ 0.08

International Frontier Resources Corporation
Notes to the Condensed Consolidated Interim Financial Statements
For the nine and three month periods ended September 30, 2023 and 2022
(Unaudited)

5. Share capital (continued)

September 30, 2023

Exercise Price	Options Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$0.08	6,600,000	0.70	\$ 0.08	6,600,000	\$ 0.08
	6,600,000	0.70	\$ 0.08	6,600,000	\$ 0.08

6. Capital management

In the management of capital, the Company includes certain working capital balances in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. As at September 30, 2023, the Company's capital as defined above is as follows:

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 57,425	\$ 25,470
Accounts receivable	44,665	43,460
Accounts payables and accrued liabilities	(570,250)	(529,920)
Due to Tonalli	(838,285)	(347,695)
	<u>\$ (1,306,445)</u>	<u>\$ (808,685)</u>

The Company is in the business of oil and gas exploration in Mexico. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business.

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

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

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

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the nine and three month periods ended September 30, 2023 and 2022

(Unaudited)

7. Per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net Loss	\$ (182,380)	\$ (3,077,860)	\$ (500,050)	\$ (2,594,880)
Weighted average number of shares	299,107,939	299,107,939	299,107,939	299,107,939
Loss per share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)

8. Related party transactions

At September 30, 2023, \$270,600 (December 31, 2022– \$207,620) was included in accounts payable and accrued liabilities owing to consultants of the Company.

9. Investment in associate

At September 30, 2023, the Company, through its Mexcan subsidiary Frontera's holds a 48.30% (December 31, 2022 – 50%) investment in Tonalli Energia S.A.P.I. de CV ("Tonalli"), a Mexican company which is accounted for using the equity method and a 99.80% interest in Energia Mex Can ("Mexcan"), a Mexican company which is accounted for using the consolidation method.

On May 31, 2022, the Company entered into a share option agreement (the "Option Agreement") with its joint venture partner 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 Tonalli held by IDESA. Under the terms of the Option Agreement, Frontera had the right to acquire the outstanding shares of Tonalli held by IDESA for an exercise price of \$1.

On August 25, 2022, the Company exercised its option and acquired IDESA's shares of Tonalli. On the same date, and pursuant to a purchase and sale agreement dated August 25, 2022, the Company sold 50% of its Tonalli Shares to Jaguar Exploración y Producción de Hidrocarburos, S.A.P.I. de C.V ("Jaguar") for \$1USD. (the "Tonalli Share Transaction")

During the year ended December 31, 2020, the Company incurred additional losses on its equity investment in Tonalli which resulted in the Company's share of cumulative losses continuing to exceed its investment in Tonalli. As a result, the associated investment in Tonalli is \$Nil at September 30, 2023. For the period ended September 30, 2023, the Company incurred a loss on its equity investment in Tonalli of \$466,787 (2022 –\$513,575) As at September 30, 2023, the Company's cumulative unrecognized share of net losses in Tonalli is \$1,917,465 (December 31, 2022– \$1,569,519).

In 2023 the Company contributed \$118,840 (2022 - \$120,880) in equity contributions to Tonalli.

Due to related parties

At September 30, 2023 the following amounts were due to Tonalli from Frontera and Mexcan

	Frontera	Mexcan	Total
Balance, beginning of period (i)	\$ 332,215	\$ 15,480	\$ 347,695
Contributions (i)	(118,840)		(118,840)
Cancellation of shares (i)	(256,390)		(256,390)
Foreign exchange loss (i)	43,015	1,825	44,840
Cash calls payable (ii)	820,980		820,980
Balance, end of period	\$ 820,980	\$ 17,305	\$ 838,285

International Frontier Resources Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the nine and three month periods ended September 30, 2023 and 2022

(Unaudited)

9. Investment in associate (continued)

- (i) At September 30, 2023 the Company had a balance of amounts owing to Tonalli of \$256,390 CAD equivalent for shares of Tonalli that had been issued to Frontera on December 31, 2022 for its outstanding equity contribution at December 31, 2022. At September 30, 2023 the period to pay the balance of amounts owing to Tonalli had expired and the shares issued to Frontera at December 31, 2022 representing the balance owing were cancelled. As a result as at September 30, 2023 Frontera's equity interest in Tonalli was 48.30% (December 31, 2022 – 50%). At September 30, 2023 the amount is no longer payable to Tonalli and a gain on investment of \$256,390 has been recorded on the Company's consolidated interim statements of operations and comprehensive loss at September 30, 2023.
- (ii) At September 30, 2023 Frontera has amounts owing to Tonalli for its share of cash calls issued in 2023 in the amount of \$820,980 CAD equivalent. On October 1, 2023 Jaguar issued Frontera a Notice of Default per the Tonalli Joint Operating Agreement ("JOA") for the total balance of cash calls owing to September 30, 2023 (the "Default Amount"). As per the terms of the Tonalli Joint Operating Agreement the Default Amount bears interest at 10% plus SOFR and Frontera has 180 days from the date of issuance of the Notice of Default to make the necessary contributions or its equity interest in Tonalli will be adjusted accordingly. The amounts were less than the Company's cumulative losses in Tonalli on September 30, 2023, and have been recorded as a loss in the Company's equity investment in Tonalli in the September 30, 2023 consolidated interim statements of operations and comprehensive loss.

Letter of Intent

On May 9, 2023 the Company announced that it has entered into an agreement with Jaguar Exploracion S.A.P.I. de C.V. ("Jaguar"), a privately owned Mexican oil and gas company (the "Letter of Intent") dated April 28, 2023 which provides Jaguar with the following options:

(1) Option to Extend

With respect to the Proposed Farm-In Arrangement, the Option to Extend has been granted by IFR to Jaguar as the final form of the unexecuted Definitive Agreement contemplated pursuant to a letter of intent ("LOI") dated November 28, 2022 and expiring on April 30, 2023.

As per the terms of the Letter of Intent, Jaguar and IFR mutually agree that Jaguar is being given the Option to Extend the long stop date of the Proposed Farm-in Arrangement on TM-01 for a period of 90 days in exchange for a deposit of US \$262,500 (refundable in certain circumstances) as discussed below; and that the Option to Extend can be triggered by simple written notification by Jaguar to IFR at any time on or before 90 days from the current long stop date of the Proposed Farm-in Arrangement.

(2) Option to Purchase

In addition to the Option to Extend, IFR has granted Jaguar the Option to Purchase which will give Jaguar, currently the owner of 50% of the outstanding shares of Tonalli an option to purchase the remaining 50% of the shares of Tonalli which are owned by IFR. The Option to Purchase can be triggered by simple written notification by Jaguar to IFR and must close at any time between the signing the Letter of Intent and 90 days thereafter.

On May 2, 2023, IFR received \$357,660 (US\$262,500) from Jaguar as a deposit on the Option to Purchase. This deposit will be refunded by IFR within 15 business days in the event that Jaguar exercises the Option

International Frontier Resources Corporation

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(Unaudited)

9. Investment in associate (continued)

to Purchase, and IFR fails to achieve shareholder approval within 90 days of the exercise of the Option to Purchase, should such shareholder approval be required by the TSXV. As a result, the deposit was recorded as Deferred revenue on the Company's Condensed Consolidated Statements of Financial Position at June 30, 2023 pending the exercise of either option and shareholder approval if required.

On July 28, 2023 IFR and Jaguar entered into an agreement to extend the Letter of Intent previously announced on May 9, 2023. (the "Amended Letter of Intent"). In accordance with the Amended Letter of Intent Jaguar will have until August 31, 2023 to exercise either the Option to Extend or the Option to Purchase. In consideration for the extension Jaguar made an additional payment of US\$87,500 to IFR.

As at the date of expiry on August 31, 2023 Jaguar had not exercised either option per the Letter of Intent. As a result, the total Deposit received in the amount of \$472,780 CAD equivalent is no longer refundable to Jaguar and has been recorded as a Gain on the Company's consolidated interim statements of operations and comprehensive loss.

10. Segmented information

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

a) Net loss and comprehensive loss

<u>Nine months ended September 30, 2023</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	346,020	9,410	355,430
Gain on expiration of Letter of Intent	-	(472,780)	(472,780)
Loss on investment in associate	-	564,590	564,590
	<u>346,020</u>	<u>101,220</u>	<u>447,240</u>
Finance income and expenses			
Accretion of long term debt	(2,490)	-	(2,490)
Foreign exchange loss	(4,375)	(45,945)	(50,320)
	<u>(6,865)</u>	<u>(45,945)</u>	<u>(52,810)</u>
Net loss and comprehensive loss	<u>\$ (352,885)</u>	<u>\$ (147,165)</u>	<u>\$ (500,050)</u>
Three months ended September 30, 2023			
Expenses			
General and administration	86,150	2,645	88,795
Gain on expiration of Letter of Intent	-	(472,780)	(472,780)
Loss on investment in associate	-	564,590	564,590
	<u>86,150</u>	<u>94,455</u>	<u>180,605</u>
Finance income and expenses			
Accretion of long term debt	(830)	-	(830)
Foreign exchange gain (loss)	710	(1,655)	(945)
	<u>(120)</u>	<u>(1,655)</u>	<u>(1,775)</u>
Net loss and comprehensive loss	<u>\$ (86,270)</u>	<u>\$ (96,110)</u>	<u>\$ (182,380)</u>

International Frontier Resources Corporation

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For the nine and three month periods ended September 30, 2023 and 2022

(Unaudited)

10. Segmented information (continued)

<u>Nine months ended September 30, 2022</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 410,750	\$ 18,635	\$ 429,385
Share based compensation	22,865	-	22,865
Gain on settlement of line of credit	(678,835)		(678,835)
Forgiveness of line of credit	-	(394,105)	(394,105)
Impairment of investment in associate	-	152,850	152,850
Impairment of shareholder loans receivable	-	3,380,890	3,380,890
Loss on equity investments	-	128,500	128,500
	<u>(245,200)</u>	<u>3,286,770</u>	<u>3,041,550</u>
Finance income and expenses			
Interest income	-	105,495	105,495
Accretion on long term debt	(2,490)	-	(2,490)
Interest on convertible debenture	(45,390)	-	(45,390)
Interest on line of credit	-	(6,820)	(6,820)
Foreign exchange gain (loss)	<u>(14,930)</u>	<u>410,805</u>	<u>395,875</u>
	<u>(62,810)</u>	<u>509,480</u>	<u>446,670</u>
Net loss and comprehensive loss	<u>\$ 182,410</u>	<u>\$ (2,777,290)</u>	<u>\$ (2,594,880)</u>
<u>Three months ended September 30, 2022</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Expenses			
General and administration	\$ 119,765	\$ 2,625	\$ 122,390
Gain on settlement of convertible debenture	(160,390)	-	(160,390)
Gain on settlement of line of credit	-	(6,070)	(6,070)
Impairment of shareholder loans receivable	-	3,380,890	3,380,890
Loss on equity investments	-	128,500	128,500
	<u>(40,625)</u>	<u>3,505,945</u>	<u>3,465,200</u>
Finance income and expenses			
Interest income	-	48,135	48,135
Accretion on long term debt	(830)	-	(830)
Interest on convertible debenture	1,155	-	1,155
Foreign exchange gain (loss)	<u>(140,705)</u>	<u>479,705</u>	<u>339,000</u>
	<u>(140,380)</u>	<u>527,840</u>	<u>387,460</u>
Net loss and comprehensive loss	<u>\$(99,755)</u>	<u>\$ (2,978,105)</u>	<u>\$ (3,077,860)</u>

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(Unaudited)

10. Segmented information (continued)

b) Assets

As at September 30, 2023

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total assets	\$ 77,540	\$ 41,830	\$ 119,370

As at December 31, 2022

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Total assets	\$ 46,210	\$ 39,800	\$ 86,010

11. Supplemental cash flow information

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Receivables	\$ 5,855	\$ (74,945)	\$ (1,205)	\$ (138,710)
Prepays	6,245	8,460	(200)	14,385
Payables and accruals	62,650	47,810	43,840	187,730
	<u>74,750</u>	<u>(18,675)</u>	<u>42,435</u>	<u>63,405</u>
Operating activities	\$ 71,030	\$ 37,160	\$ 38,715	\$ 131,100
Investing activities	\$ 3,720	\$ (55,835)	\$ 3,720	\$ (122,375)
Financing activities	\$ -	\$ -	\$ -	\$ 54,680
Interest paid	\$ -	\$ -	\$ -	\$ -

Cash and cash equivalents are comprised of:

	<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash on hand - Canada	\$ 53,695	\$ 11,770
Cash on hand - Mexico	3,730	50,590
	<u>\$ 57,425</u>	<u>\$ 62,360</u>

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(Unaudited)

12. Financial risk management

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

a) Credit risk

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

The maximum exposure to loss associated with accounts receivable is the total carrying amounts on the statement of financial position.

The following table presents the aging of the Company's accounts receivable at September 30, 2023:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 44,665	\$ 6,490	\$ -	\$ -	\$ 38,175

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance based on lifetime expected credit losses experience adjusted for forward looking factors with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance account.

b) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company's interest rate price risk with respect to funds invested in short term marketable securities. As at September 30, 2023, the Company did not have any financial assets based on variable interest rates and as such the Company has no specific interest rate risk at period-end. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate risk.

c) Foreign currency risk

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

At September 30, 2023, the carrying amount of the Company's Mexican pesos denominated net monetary assets was equivalent to approximately \$385.

At September 30, 2023, the carrying amount of the Company's U.S. dollar denominated monetary assets was approximately US \$165.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

12. Financial risk management (continued)

d) Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum are impacted by the relationship between the Canadian dollar and Mexican peso, the Canadian dollar and United States dollar, global economic events and Mexican government policies.

The operations of Tonalli are affected by changes in commodity prices, which in turn, will affect the Company's investment in associates.

e) Liquidity risk

Liquidity risk includes the risk that:

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

The Company's operating cash requirements, including amounts projected to complete budgeted capital expenditures are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, opening cash balance, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, and cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and access to equity markets. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing. (see also Note 2).

f) Fair value of financial instruments

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

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

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

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

At September 30, 2023, the carrying value of the Company's financial instruments, other than long-term debt, approximate their fair value due to their short-term nature. The fair value of long-term debt approximates its carrying value (level 2).

13. Subsequent event

On November 27, 2023, the Company completed the consolidation of its common shares on the basis of 20 pre-Consolidation Common Shares for 1 post-Consolidation Common Share.