CROWN POINT ENERGY INC.

Consolidated Financial Statements

For the year ended December 31, 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the consolidated financial statements and the consistent presentation of all other financial information that is publicly disclosed. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include estimates and assumptions based on management's best judgment.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced in a timely manner.

Independent auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, comprising independent members of the Board of Directors, have reviewed the consolidated financial statements with management and the independent auditors. The Audit Committee is responsible for setting the remuneration of the independent auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

"Murray McCartney"	*"Arthur J.G. Madden"*
Murray McCartney President and Chief Executive Officer	Arthur J.G. Madden Vice President Finance and Chief Financial Officer

Calgary, Alberta
April 17, 2014

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crown Point Energy Inc.

We have audited the accompanying consolidated financial statements of Crown Point Energy Inc. which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2013, the four month period ended December 31, 2012 and the year ended August 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Crown Point Energy Inc. as at December 31, 2013 and 2012 and August 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2013, the four month period ended December 31, 2012 and the year ended August 31, 2012 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

April 17, 2014
Calgary. Canada

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(United States dollars)

	December 31 2013	December 31 2012	August 31 2012
Assets			
Current assets:			
Cash and cash equivalents	$ 13,375,605	$ 12,912,033	$ 16,314,031
Trade and other receivables	3,766,331	4,945,279	4,243,628
Inventory	231,833	870,278	851,796
Prepaid expenses	1,628,266	1,065,451	1,240,737
	19,002,035	19,793,041	22,650,192
Exploration and evaluation assets (Note 6)	10,350,417	9,945,769	7,404,202
Property and equipment (Note 7)	32,029,851	53,550,285	56,686,222
Other non-current assets (Note 8)	1,176,161	721,996	777,294
Deposit (Note 9)	2,310,000	–	–
	$ 64,868,464	$ 84,011,091	$ 87,517,910
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	$ 3,781,401	$ 4,900,172	$ 4,755,620
Current portion of bank debt (Note 9)	171,408	–	–
	3,952,809	4,900,172	4,755,620
Bank debt (Note 9)	3,942,392	–	–
Decommissioning provision (Note 10)	2,274,925	2,306,355	2,287,755
	10,170,126	7,206,527	7,043,375
Shareholders' equity:			
Share capital (Note 11)	101,334,798	101,536,837	101,536,837
Contributed surplus	6,113,152	4,833,524	4,480,541
Accumulated other comprehensive loss	(16,992,986)	(8,800,432)	(5,642,717)
Deficit	(35,756,626)	(20,765,365)	(19,900,126)
	54,698,338	76,804,564	80,474,535
	$ 64,868,464	$ 84,011,091	$ 87,517,910

Commitments (Note 19)

Approved on behalf of the Board of Directors:

"Gordon Kettleson"　　　　*"Murray McCartney"*

Gordon Kettleson
Director

Murray McCartney
Director

See accompanying notes to the consolidated financial statements.

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(United States dollars)

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Revenue			
Oil and gas	$ 21,716,647	$ 8,298,961	$ 10,768,464
Royalties	(4,062,015)	(1,474,906)	(2,383,336)
	17,654,632	6,824,055	8,385,128
Expenses			
Operating	8,522,994	2,865,659	2,816,568
General and administrative	6,363,044	2,011,125	4,432,647
Acquisition costs (Note 5)	–	–	1,311,718
Share-based payments	1,006,574	317,045	1,426,489
Depletion and depreciation	7,095,811	2,975,037	3,622,421
Impairment (Note 13)	14,728,284	–	–
Foreign exchange (gain) loss	580,824	(101,660)	53,501
	38,297,531	8,067,206	13,663,344
Results from operating activities	(20,642,899)	(1,243,151)	(5,278,216)
Finance income (expense)			
Interest income	189,989	110,204	339,090
Financing fees and bank charges	(480,877)	(288,733)	(332,014)
Accretion of decommissioning provision	(273,875)	(103,808)	(147,850)
Interest expense (Note 9)	(95,125)	–	–
Other income (Note 14)	6,311,526	660,249	40,672
Loss before taxes	(14,991,261)	(865,239)	(5,378,318)
Current tax recovery (Note 15)	–	–	342,743
Net loss	(14,991,261)	(865,239)	(5,035,575)
Exchange differences on translation of foreign operations	(8,192,554)	(3,157,715)	(2,931,264)
Comprehensive loss	$ (23,183,815)	$ (4,022,954)	$ (7,966,839)
Net loss per share (Note 12)			
Basic and diluted	$ (0.14)	$ (0.01)	$ (0.07)

See accompanying notes to the consolidated financial statements.

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(United States dollars)

	Share Capital					
	Number (Note 11)	Amount (Note 11)	Contributed Surplus (Note 11)	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance as of August 31, 2011	54,674,907	$ 62,509,284	$ 2,430,056	$ (2,711,453)	$(14,864,551)	$ 47,363,336
Acquisition of Antrim Argentina (Note 5)	35,761,290	27,785,092	–	–	–	27,785,092
Private placement	13,774,900	12,629,448	–	–	–	12,629,448
Exercise of warrants	303,729	300,164	–	–	–	300,164
Exercise of finders' options	396	297	–	–	–	297
Transfer on exercise of options	–	228	(228)	–	–	–
Share issue costs	–	(1,196,474)	–	–	–	(1,196,474)
Expiry of warrants	–	(491,202)	491,202	–	–	–
Share-based payments	–	–	1,559,511	–	–	1,559,511
Other comprehensive loss for the year	–	–	–	(2,931,264)	–	(2,931,264)
Net loss for the year	–	–	–	–	(5,035,575)	(5,035,575)
Balance as of August 31, 2012	104,515,222	$ 101,536,837	$ 4,480,541	$ (5,642,717)	$(19,900,126)	$ 80,474,535
Share-based payments	–	–	352,983	–	–	352,983
Other comprehensive loss for the period	–	–	–	(3,157,715)	–	(3,157,715)
Net loss for the period	–	–	–	–	(865,239)	(865,239)
Balance as of December 31, 2012	104,515,222	$ 101,536,837	$ 4,833,524	$ (8,800,432)	$(20,765,365)	$ 76,804,564
Expiry of warrants	–	(202,039)	202,039	–	–	–
Share-based payments	–	–	1,077,589	–	–	1,077,589
Other comprehensive loss for the year	–	–	–	(8,192,554)	–	(8,192,554)
Net loss for the year	–	–	–	–	(14,991,261)	(14,991,261)
Balance as of December 31, 2013	104,515,222	$ 101,334,798	$ 6,113,152	$ (16,992,986)	$(35,756,626)	$ 54,698,338

See accompanying notes to the consolidated financial statements.

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(United States dollars)

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Cash provided by (used in):			
Operating:			
Net loss	$ (14,991,261)	$ (865,239)	$ (5,035,575)
Items not affecting cash:			
Depletion and depreciation	7,095,811	2,975,037	3,622,421
Impairment	14,728,284	–	–
Share-based payments	1,006,574	317,045	1,426,489
Foreign exchange gain	(597,333)	(6,117)	(745,467)
Accretion of decommissioning provision	273,875	103,808	150,591
Decommissioning expenditures	(44,759)	–	–
	7,471,191	2,524,534	(581,541)
Change in non-cash working capital (Note 16)	(168,441)	(157,279)	143,405
	7,302,750	2,367,255	(438,136)
Investing:			
Property and equipment expenditures, net	(2,913,376)	(2,598,664)	(16,302,386)
Exploration and evaluation asset expenditures	(4,431,180)	(3,022,692)	(1,555,666)
Acquisition, net of cash acquired (Note 5)	–	–	(2,734,013)
Change in other non-current assets	(636,671)	13,172	29,175
Change in non-cash working capital (Note 16)	(362,896)	(121,443)	(1,909,627)
	(8,344,123)	(5,729,627)	(22,472,517)
Financing:			
Bank debt proceeds	4,486,320	–	–
Deposit	(2,310,000)	–	–
Share issuance proceeds, net of costs	–	–	11,433,271
	2,176,320	–	11,433,271
Change in cash and cash equivalents	1,134,947	(3,362,372)	(11,477,382)
Foreign exchange effect on cash held in foreign currencies	(671,375)	(39,626)	(46,148)
Cash and cash equivalents, beginning of period	12,912,033	16,314,031	27,837,561
Cash and cash equivalents, end of period	$ 13,375,605	$ 12,912,033	$ 16,314,031

See accompanying notes to the consolidated financial statements

1. REPORTING ENTITY:

Crown Point Energy Inc. (“Crown Point” or the “Company”) was incorporated under the laws of British Columbia and continued under the laws of Alberta on July 27, 2012. Crown Point is based in Calgary, Alberta and is involved in the exploration for, and development and production of petroleum and natural gas in Argentina.

In 2012, Crown Point changed its financial year-end from August 31 to December 31. The transition period was the four months ending December 31, 2012 with the prior comparative period the year ended August 31, 2012.

The Company’s registered office is Suite 1600, 700 – 6th Street SW, Calgary, Alberta, T2P OT8.

2. BASIS OF PRESENTATION:

(a) Statement of compliance

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 17, 2014.

(b) Basis of measurement

The financial statements have been prepared in accordance with IFRS on a historical cost basis except for financial instruments which are measured at fair value.

(c) Functional and presentation currency

The functional currency of each of the parent company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

The functional currency of Crown Point Oil & Gas S.A., CanAmericas (Argentina) Energy Ltd. and Antrim Argentina S.A. is the United States dollar (“USD”); the functional currency of the Company is the Canadian dollar (“CAD”).

Under IFRS, an entity’s functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. On October 1, 2013, based on management’s evaluation, taking into consideration the currency that most strongly influences sales prices and in which management makes primary operating and capital decisions in addition to the currency in which funding requirements are met, management changed the functional currency of the Argentine subsidiaries from the Argentine Peso (“ARS”) to the USD. This change in accounting treatment is applied prospectively. The assets and liabilities of the Argentine subsidiaries were translated from ARS to USD at the exchange rate on the date of change in functional currency.

The presentation currency of the Company is the USD.

Concurrent with the functional currency change, the Company changed its reporting currency from the CAD to the USD effective October 1, 2013. For comparative purposes, historical financial statements were translated into the reporting currency of USD whereby assets and liabilities were translated at the closing rate in effect at the end of the comparative periods; revenues, expenses and cash flows were translated at the average rate in effect for the comparative periods; and equity transactions were translated at historical rates. The exchange difference resulting from the translation on October 1, 2013 was an unrealized foreign exchange loss of $2 million included in accumulated other comprehensive income.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position are as follows:

Critical accounting judgments

- Functional currency

  The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events, and conditions relevant to each entity.

- Cash-generating units

  The Company's assets are aggregated into cash-generating units ("CGUs") based on an assessment of the unit's ability to generate independent cash in-flows. The determination of the Company's CGUs was based on management's judgment in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality. The allocation of assets into CGU's requires significant judgment and interpretations with respect to the way in which management monitors operations.

- Impairment

  Judgments are required to assess when impairment indicators are evident and impairment testing is required.

- Exploration and evaluation assets

  The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

- Current and deferred taxes

  Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, current and deferred taxes are subject to measurement uncertainty. Management uses judgment to assess deferred tax assets the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. For more information on the Company's deferred taxes, see Note 15.

- Contingencies

  By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Although the Company believes it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

Key sources of estimation uncertainty

- Reserves

  The estimate of petroleum and natural gas reserves is integral to the calculation of the amount of depletion charged to the consolidated statement of loss and comprehensive loss and is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired. Changes in reported reserves can impact asset carrying values and the decommissioning provision due to changes in expected future cash flows.

The Company's reserves are evaluated and reported on by independent reserve engineers at least annually in accordance with Canadian Securities Administrators' National Instrument 51-101. Reserve estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, commodity pricing and timing of future expenditures, all of which are subject to significant judgment and interpretation.

- Business combinations

  Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as cash paid and the estimated fair value of other assets given, common shares and other equity instruments issued and liabilities incurred or assumed at the date of exchange. The acquired identifiable assets and liabilities assumed, including contingent liabilities, are measured at their recognized amount (mostly fair value) at the date of acquisition. Any excess of the cost of the acquisition over the fair value of the net identifiable assets acquired is recognized as goodwill. Any deficiency of the cost of the acquisition below the fair value of the net identifiable assets acquired is recognized in earnings in the period of acquisition. Associated transaction costs are expensed when incurred.

- Carrying value of development and production and exploration and evaluation assets

  If any indication exists that an asset or CGU may be impaired, the Company estimates the recoverable amount. The recoverable amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use and fair value less costs to sell.

  These calculations require the use of estimates and assumptions, such as estimates of proved plus probable reserves, future production rates, oil and natural gas prices, future costs and other relevant assumptions, all of which are subject to change. A material adjustment to the carrying value of the Company's development and production and exploration and evaluation assets may be required as a result of changes to these estimates and assumptions.

  The Company's concessions may be subject to renewal extensions which require approval from local government authorities. The Company has been successful in obtaining approvals for certain of its concessions and is currently awaiting renewal on others. As there is no indication that pending extensions will not be approved, management has used judgment to conclude that all extensions will be approved. If the Company fails to obtain extension renewals, estimates of proved plus probable reserves may be negatively impacted.

- Depletion and depreciation

  Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of total proved and probable petroleum and natural gas reserves and future development capital. By their nature, the estimates of reserves, including the estimates of future prices, costs and future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the financial statements in future periods could be material.

- Decommissioning provision

  Amounts recorded for the Company's decommissioning provision require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third party information and calculations and are subject to change over time and may have a material impact on profit and loss or financial position. For more information on the Company's decommissioning provision, see Note 10.

- Deferred taxes

  Deferred taxes are based on estimates as to the timing of the reversal of temporary and taxable differences, substantively enacted tax rates and the likelihood of assets being realized. For more information on the Company's deferred taxes, see Note 15.

- Share-based payments

  The Company measures the estimated cost of its share-based payments using a Black-Scholes pricing model. Measurement inputs include: the share price on the measurement date, expected lives of options, expected forfeiture rates, risk-free rates of return and expected stock price volatility. Changes to assumptions may have a material impact on the amounts presented. For more information on the Company's share-based payments, see Note 11.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Consolidation

Subsidiaries

These consolidated financial statements include the accounts of the Company and its wholly owned Argentine subsidiaries, Crown Point Oil & Gas S.A., CanAmericas (Argentina) Energy Ltd. and Antrim Argentina S.A.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their recognized amounts (generally fair value) at the acquisition date. The excess of the cost of acquisition over the recognized amounts of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, a bargain purchase gain is recognized immediately in the consolidated statement of loss and comprehensive loss.

Joint arrangements

The Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

The financial results and position of the Canadian parent whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of the Canadian parent are transferred directly to the Company's exchange difference on translating foreign operations on the Statement of Comprehensive Loss and are reported as a separate component of shareholders' equity titled "Accumulated Other Comprehensive Income".

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term money market investments with an original maturity of three months or less.

(d) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost of producing crude oil is accounted on a weighted average basis. This cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil is the producing cost, including royalties and the appropriate proportion of depletion and depreciation and overheads. Net realizable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any expected selling costs.

Crude oil lifted below or above the Company's working interest share of production results in production underlifts or overlifts. Net underlifts are recorded as inventory and net overlifts are recorded in accounts payable and accrued liabilities at fair market value.

(e) Exploration and evaluation assets ("E&E assets")

Exploration and evaluation expenditures

All costs incurred prior to obtaining the legal right to explore an area are expensed when incurred.

Generally, costs directly associated with the exploration and evaluation of crude oil and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been demonstrated. These costs generally include unproved property acquisition costs, geological and geophysical costs, sampling and appraisals, drilling and completion costs and capitalized decommissioning costs. Interest and borrowing costs incurred on E&E assets are not capitalized.

E&E costs are not depleted and are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability, which is assessed at least annually. Technical feasibility and commercial viability is considered to be demonstrable when proved or probable reserves have been assigned and there is a reasonable assessment of the economics associated with the future production of those reserves, required government and regulatory approvals have been obtained or are likely to be obtained, and management has made the decision to proceed with development and production of those reserves by incurring the future capital costs attributed to them. When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, E&E assets will be tested for impairment and reclassified from exploration assets to development and production assets, a separate category within property and equipment.

Impairment

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount and when they are reclassified to development and production ("D&P") assets. For the purpose of impairment testing, E&E assets are grouped by concession or field with other E&E and D&P assets belonging to the same cash-generating unit (''CGU''), which is the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. The impairment loss will be calculated as the excess of the carrying value over recoverable amount of the E&E impairment grouping and any resulting impairment loss is recognized in profit or loss. Recoverable amount is determined by reference to the greater of value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the assets, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the assets.

Management expects fair value less cost to sell to approximate the value in use.

(f) Property and equipment

Development and production expenditures

D&P assets include costs incurred in developing commercial reserves and bringing them into production, together with the E&E expenditures incurred in finding the commercial reserves that have been reclassified from E&E assets as outlined above, the projected cost of retiring the assets and any directly attributable general and administrative expenses. Items of property and equipment, including D&P assets, are carried at cost less accumulated depletion and depreciation and accumulated impairment losses.

When significant parts of an item of property and equipment, including D&P assets, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including D&P assets, are determined by comparing the proceeds of disposal with the carrying amount of the item and are recognized in profit or loss.

Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability, costs of replacing parts of property and equipment and workovers of property and equipment are recognized only if they increase the economic benefits of the assets to which they relate. All other expenditures are recognized in profit or loss when incurred. The carrying amounts of previous inspections or any replaced or sold components are derecognized. The costs of day-to-day servicing of an item of property and equipment are recognized in profit or loss as incurred.

Depletion and depreciation

The net book value of producing assets are depleted on a field-by-field basis using the unit of production method with reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. For purposes of these calculations, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

Other assets are depreciated over the estimated useful lives of the assets using a 20% declining balance basis for Canadian office furniture and equipment, a straight line basis over 3 – 10 years for Argentina office furniture and equipment and a straight line basis over the term of the lease for all leasehold improvements.

The Company assesses the method of depreciation, useful lives and residual values at least annually.

Impairment

At the end of each reporting period, the Company reviews the D&P assets for circumstances that indicate the assets may be impaired. Assets are grouped together into CGUs for the purpose of impairment testing. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. A CGUs recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from the production of proved and probable reserves.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU. When the recoverable amount is less than the carrying amount, the asset or CGU is impaired. For impairment losses identified on a CGU, the loss is allocated on a pro rata basis to the assets within the CGU. The impairment loss is recognized as an expense in profit or loss.

At the end of each subsequent reporting period these impairments are assessed for indicators of reversal. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss have been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized in profit or loss.

(g) Decommissioning provision

The Company recognizes a decommissioning provision in the period in which a well is drilled or acquired and a reasonable estimate of the future costs associated with removal, site restoration and asset retirement can be made. The estimated decommissioning provision is recorded with a corresponding increase in the carrying amount of the related cost centre.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the provision is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(h) Taxes

Taxes on the profit or loss for the periods presented are comprised of current and deferred tax. Taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded, using the statement of financial position method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax is not recorded on taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of assets and liabilities in a transaction other than a business combination that affect neither accounting nor taxable profit or loss. Deferred tax is also not recorded on differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, interest-bearing bonds included in other non-current assets, deposit, trade and other payables and bank debt. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

- Financial assets at fair value through profit or loss

  An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has classified cash and cash equivalents as fair value through profit or loss.

- Other

  Other non-derivative financial instruments, such as trade and other receivables, interest-bearing bonds, deposit, trade and other payables and bank debt are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Company has not entered into any financial derivative contracts.

(j) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated statement of loss and comprehensive loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the consolidated statement of loss and comprehensive loss.

(k) Share capital

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(l) Share-based payments

The Company follows the fair value method of accounting for stock options. The fair value of each stock option is calculated using the Black-Scholes option pricing model and is charged to income over the vesting period of the option, with a corresponding increase recorded in contributed surplus. Forfeitures are accounted for at grant date and adjusted based on actual vesting. Upon exercise of the stock option, the consideration received plus the amount previously recorded in contributed surplus is recorded as an increase to share capital.

(m) Per share amounts

The Company presents basic and diluted per share data for its common shares. Basic per share amounts are calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted, for the effects of all dilutive potential common shares.

(n) Revenue recognition

Petroleum and natural gas revenues are recognized when title and risks pass to the purchaser and payment is reasonably assured.

(o) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the Company's short-term incentive bonus plan as a result of service provided by employees once the obligation can be estimated reliably.

(p) Finance income and expenses

Finance expense comprises financing fees and bank charges related to bank stamp taxes charged in Argentina on cash transfers, interest on bank debt and accretion of the decommissioning provision.

Interest income is recognized in profit or loss as it accrues using the effective interest method.

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the executive directors that make strategic decisions.

(r) Changes in accounting standards

On January 1, 2013, the Company adopted new standards for *IFRS 10 Consolidated Financial Statements*, *IFRS 11 Joint Arrangements*, *IFRS 12 Disclosure of Interests in Other Entities*, *IFRS 13 Fair Value Measurement* as well as consequential amendments to *IAS 28 Investments in Associates and Joint Ventures*. The adoption of these standards and amendments had no impact on the amounts recorded in the financial statements for the year ended December 31, 2013.

(s) Amendments to standards not yet adopted

The Company has reviewed amendments to accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IAS 32 Financial Instruments: Presentation

Amendments to *IAS 32 Financial Instruments: Presentation* clarify that an entity has a legally enforceable right to set-off if that right is (a) not contingent on a future event; and (b) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments also clarify that when a settlement mechanism provides for either net settlement or gross settlement, it is equivalent to net settlement.

IAS 36 Impairment of Assets

In May 2013, the International Accounting Standards Board issued an amendment to *IAS 36 Impairment of Assets*. These narrow-scope amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The above amendments are effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact of these amendments on its financial statements.

4. DETERMINATION OF FAIR VALUES:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property and equipment and E&E assets

The fair value of property and equipment and E&E assets recognized in a business combination is based on fair values. The fair value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of petroleum and natural gas assets (included in property, and equipment) and E&E assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

(b) Cash and cash equivalents, trade and other receivables and trade and other payables

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2013, December 31, 2012 and August 31, 2012, the fair value of these balances approximated their carrying amount due to their short term to maturity.

(c) Other non-current assets, deposit and bank debt

The fair values of interest-bearing bonds included in other non-current assets, deposit and bank debt are based on the discounted present value of future cash flows and approximates carrying amount.

(d) Stock options and warrants

The fair value of stock options and warrants is measured using a Black-Scholes pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected forfeiture rate (based on historic forfeitures), expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The grant date weighted average fair value of stock options granted in the year ended December 31, 2013 was $0.30 per option (four months ended December 31, 2012 – $nil; year ended August 31, 2012 – $0.55), estimated using the Black-Scholes pricing model calculations based on the following significant assumptions:

(United States dollars)

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Risk-free interest rate	1.32%	–	1.53%
Expected forfeitures	10%	–	10%
Expected volatility	115%	–	117%
Expected life	5 years	–	5 years
Dividends	nil	–	nil

(e) Financial instruments

The Company determines the fair value of financial instruments 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. Cash and cash equivalents are Level 1 financial assets.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward rates for interest rate, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Interest-bearing bonds included in other non-current assets, deposit and bank debt are Level 2 financial instruments.

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

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

5. ACQUISITION OF ANTRIM ARGENTINA S.A.:

On May 28, 2012, the Company acquired all of the issued and outstanding shares of Antrim Argentina S.A. (“Antrim Argentina”) pursuant to a Plan of Arrangement under the Business Corporations Act (Alberta). Consideration for the acquisition was $8,980,477 of cash and 35,761,290 common shares of the Company at $0.80 per share based on the market price of the Company’s common shares on the date of acquisition.

The acquisition increased the Company’s presence in Argentina including ownership of oil and gas focused concessions and related production volumes. The acquisition has been accounted for as a business combination.

The fair values of the identifiable assets acquired and liabilities assumed by the Company are as follows:

Consideration:		
Cash	$	8,980,477
Issue of 35,761,290 common shares		27,785,092
Total consideration	$	36,765,569
Allocated to:		
Property and equipment	$	28,843,824
Exploration and evaluation assets		971,200
Other non-current assets		777,818
Working capital (including cash of $6,246,464)		8,607,105
Decommissioning provision		(2,434,378)
Net assets acquired	$	36,765,569

(United States dollars)

Working capital includes $3,474,906 of acquired trade and other receivables which represents the fair value of gross contractual amounts receivable, all of which was subsequently collected.

The Company incurred $1,311,718 of transaction costs in conjunction with the acquisition which have been expensed as incurred.

For the period May 28, 2012 to August 31, 2012, Antrim Argentina contributed $2.4 million of revenue and $0.9 million of net loss to the Company's consolidated statement of loss and comprehensive loss. Had the transaction closed on September 1, 2011, the estimated incremental revenue and net earnings that would have been reported by the Company for the year ended August 31, 2012 are $12.3 million and $0.7 million, respectively (unaudited).

6. EXPLORATION AND EVALUATION ASSETS ("E&E"):

		December 31 2013		December 31 2012		August 31 2012
Carrying amount, beginning of period	$	9,945,769	$	7,404,202	$	6,137,280
Additions		4,475,939		3,022,692		1,555,666
Transferred to property and equipment		–		–		(842,509)
Acquired (Note 5)		–		–		971,200
Decommissioning changes		(76,067)		5,627		(22,287)
Impairment (Note 13)		(2,451,777)		–		–
Effect of change in exchange rates		(1,543,447)		(486,752)		(395,148)
Carrying amount, end of period	$	10,350,417	$	9,945,769	$	7,404,202

E&E assets consist of the Company's intangible exploration projects in Argentina which are pending the determination of proven or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. E&E assets are not depreciated or depleted.

The amounts capitalized as Argentina E&E assets at December 31, 2013 include $1.3 million of Value Added Tax (December 31, 2012 – $841,600; August 31, 2012 – $888,400).

(United States dollars)

7. PROPERTY AND EQUIPMENT:

	Argentina		Canada	
	Development and Production Assets	Other Assets	Other Assets	Total
	$	$	$	$
Cost:				
Balance at August 31, 2011	17,568,483	60,390	80,655	17,709,528
Additions	16,214,269	114,850	117,611	16,446,730
Transferred from E&E assets	842,509	–	–	842,509
Acquired (Note 5)	28,760,502	83,322	–	28,843,824
Disposition	–	(11,322)	–	(11,322)
Decommissioning changes	(702,470)	–	–	(702,470)
Effect of change in exchange rates	(2,009,696)	(11,751)	1,188	(2,020,259)
Balance at August 31, 2012	60,673,597	235,489	199,454	61,108,540
Additions	2,150,390	29,025	455,187	2,634,602
Decommissioning changes	42,653	–	–	42,653
Effect of change in exchange rates	(2,954,594)	(13,724)	(5,043)	(2,973,361)
Balance at December 31, 2012	59,912,046	250,790	649,598	60,812,434
Additions	2,792,316	68,740	123,335	2,984,391
Decommissioning changes	134,348	–	–	134,348
Effect of change in exchange rates	(8,177,436)	(42,254)	(23,778)	(8,243,468)
Balance at December 31, 2013	54,661,274	277,276	749,155	55,687,705
Accumulated depletion and depreciation:				
Balance at August 31, 2011	809,057	15,761	30,425	855,243
Depletion and depreciation	3,773,913	50,725	55,556	3,880,194
Disposition	–	(11,322)	–	(11,322)
Effect of change in exchange rates	(299,721)	(2,686)	610	(301,797)
Balance at August 31, 2012	4,283,249	52,478	86,591	4,422,318
Depletion and depreciation	2,982,665	35,555	154,366	3,172,586
Effect of change in exchange rates	(326,946)	(3,989)	(1,820)	(332,755)
Balance at December 31, 2012	6,938,968	84,044	239,137	7,262,149
Depletion and depreciation	6,840,372	70,010	99,474	7,009,856
Impairment (Note 13)	11,683,918	–	–	11,683,918
Effect of change in exchange rates	(2,283,416)	(19,793)	5,140	(2,298,069)
Balance at December 31, 2013	23,179,842	134,261	343,751	23,657,854
Net carrying amount:				
At August 31, 2012	56,390,348	183,011	112,863	56,686,222
At December 31, 2012	52,973,078	166,746	410,461	53,550,285
At December 31, 2013	31,481,432	143,015	405,404	32,029,851

Capitalized amounts:

The amounts capitalized as D&P assets in Argentina during the year ended December 31, 2013 include $617,604 of general and administrative costs and $71,015 of share-based compensation (four months ended December 31, 2012 – $336,540 and $35,938, respectively; year ended August 31, 2012 – $617,152 and $133,022, respectively).

As at December 31, 2013, D&P assets in Argentina include $3,274,782 of Value Added Tax ("VAT") (December 31, 2012 – $5,212,099; August 31, 2012 – VAT $5,092,106). VAT is payable on goods and services supplied to the Company and is not recoverable from the Government of Argentina, however the Company is allowed to retain VAT on any sales that it collects to the extent of the VAT recorded and paid on previous expenditures.

(United States dollars)

Future development costs and salvage value:

The depletion expense calculation for the year ended December 31, 2013 included $27.3 million (four months ended December 31, 2012 – $37.3 million; year ended August 31, 2012 – $39.0 million) for estimated future development costs associated with proved and probable reserves in Argentina. The Company reduced the December 31, 2013 depletable amount by $646,500 of estimated salvage value (December 31, 2012 – $754,600; August 31, 2012 – $844,000).

Dispositions:

During the year ended August 31, 2012, the Company disposed of certain fully depreciated minor equipment for nominal proceeds.

8. OTHER NON-CURRENT ASSETS:

Other non-current assets are comprised of interest bearing bonds and long-term receivables for which fair value approximates the carrying amount.

	December 31 2013	December 31 2012	August 31 2012
Interest-bearing bonds (a)	$ 358,955	$ 568,651	$ 603,927
Long-term receivables (b)	899,815	265,108	269,996
	1,258,770	833,759	873,923
Current portion of interest-bearing bonds included in trade and other receivables	(82,609)	(111,763)	(96,629)
Total non-current assets	$ 1,176,161	$ 721,996	$ 777,294

(a) Interest-bearing bonds

In 2009, the Argentina state owned natural gas transportation company commenced a project to increase capacity on the pipeline connecting Tierra del Fuego with the mainland. Antrim Argentina was obligated to invest in the project through the purchase of ARS denominated interest-bearing bonds issued by a national trust created by the Argentine government. As at December 31, 2013, the interest rate for the period was 18.4% (December 31, 2012 – 18%; August 31, 2012 – 17.8%). Repayment of the bonds is in thirty quarterly installments of principal that commenced in January 2011.

(b) Long-term receivables

Long-term receivables primarily relate to ARS denominated Minimum Presumptive Income Tax paid by the Argentine subsidiaries which can be applied against future taxable income of the subsidiaries.

9. BANK DEBT:

On November 13, 2013, Antrim Argentina drew all of the available ARS 26,800,000 ($4,486,320) of proceeds under a development loan facility with HSBC Argentina, at which time the Company provided HSBC Argentina security in the form of a USD denominated guaranteed investment certificate in the amount of $2,310,000 on deposit with a major Canadian financial institution. The loan bears compensatory interest at 15.25% (the “Fixed Rate”), calculated and paid monthly commencing on the date the loan is drawn. The loan principal is repayable in 24 monthly installments commencing December 8, 2014.

The use of the loan is restricted to the acquisition of capital assets and/or the building of facilities necessary for the production and/or commercialization of oil and natural gas from the Company’s Tierra del Fuego (“TDF”) concession.

(United States dollars)

Antrim Argentina is subject to two financial covenants, tested on an annual basis, both of which were met as at December 31, 2013:

- Financial Debt to EBITDA ratio of 1.5 or less to 1 as defined in the development loan agreement. In simplified terms, Financial Debt is the total of Antrim Argentina's liabilities, excluding trade and other payables and decommissioning liabilities, and EBITDA is Antrim Argentina's results from operating activities plus depreciation and depletion.
- Interest Coverage of 3.0 times or higher as defined in the development loan agreement. In simplified terms, the Interest Coverage Ratio is determined as EBITDA divided by the sum of Antrim Argentina's interest, commissions, fees, pre-cancellation and other amounts related to Financial Debt, excluding principal payments.

As at December 31, 2013, the balance owing under the debt facility was ARS 26,800,000 ($4,113,800), of which $171,408 is classified as a current liability and $3,942,392 is long-term. During 2013, the Company recognized $95,125 of interest expense on bank debt.

10. DECOMMISSIONING PROVISION:

The Company's decommissioning provision results from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2013 the estimated total undiscounted inflation-adjusted amount of cash flows required to settle the Company's obligations were approximately $3.3 million (December 31, 2012 – $5.4 million; August 31, 2012 – $5.3 million). These costs are expected to be incurred over the next 13 years. The decommissioning obligations have been estimated using existing technology at current prices and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability. An average risk-free interest rate of 3% (December 31, 2012 – 15%; August 31, 2012 – 14.5%) and an inflation rate of 1.5% (December 31, 2012 – 10.8%; August 31, 2012 – 10%) was used to calculate the fair value of the decommissioning provision in Argentina. In conjunction with the management's assessment of currency that most strongly influences primary operating and capital decisions with respect to change in the functional currency of the Argentine subsidiaries, inflation and risk-free rates correlated to the USD were used at December 31, 2013 as compared to rates correlated to ARS at December 31, 2012 and August 31, 2012.

A reconciliation of the decommissioning provision is provided below:

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Beginning balance	$ 2,306,355	$ 2,287,755	$ 577,897
Additions	–	–	170,496
Acquired (Note 5)	–	–	2,434,378
Accretion	273,875	103,808	147,850
Settlement	(44,759)	–	–
Change in estimates	103,040	48,280	(895,253)
Effect of change in exchange rates	(363,586)	(133,488)	(147,613)
Ending balance	$ 2,274,925	$ 2,306,355	$ 2,287,755

(United States dollars)

11. SHARE CAPITAL:

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of Class "A" preferred shares at CAD 1 each par value

(b) Issued and outstanding

i. On December 15, 2011, the Company issued 13,774,900 common shares pursuant to a bought-deal financing at a price of CAD $0.95 per share for gross proceeds of CAD $13,086,155 ($12,629,448). Share issue costs of $1,196,474 were incurred as part of the financing.

ii. On May 28, 2012, the Company issued 35,761,290 common shares pursuant to the acquisition of Antrim Argentina as described in Note 5.

iii. During the year ended August 31, 2012, the Company issued 303,729 common shares on the exercise of the same number of warrants for gross proceeds of CAD $303,828 ($300,164).

iv. During the year ended August 31, 2012, the Company issued 396 common shares and 198 Series A Warrants on the exercise of 396 finders' options for gross proceeds of CAD $297 ($297).

(c) Stock options

The Company's stock option plan provides for the granting of options to directors, officers, employees and consultants. Under the terms of the option plan, options issued will not exceed 10% of the issued and outstanding shares from time to time. The option price under each option is not less than the market price on the grant date. One third of the options granted vest immediately and the remainder generally vest in equal tranches on the first and second year anniversaries of the date of grant. The expiry date for each option is set by the Board of Directors at the time of issue and cannot be more than five years after the grant date.

Stock option activity is summarized as follows:

	Year ended December 31, 2013		Four months ended December 31, 2012		Year ended August 31, 2012	
	Number of Options	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
Beginning balance	4,990,000	$ 1.09	4,990,000	$ 1.09	3,365,000	$ 1.32
Granted	2,875,000	0.37	–	–	2,780,000	0.76
Expired	(210,000)	(0.60)	–	–	(275,000)	1.08
Forfeited	(70,000)	(0.37)	–	–	(880,000)	0.63
Ending balance	7,585,000	$ 0.83	4,990,000	$ 1.09	4,990,000	$ 1.09
Exercisable, end of period	4,988,318	$ 1.01	2,751,656	$ 1.19	2,751,656	$ 1.19

(United States dollars)

Stock options outstanding and exercisable at December 31, 2013 are as follows:

Expiry date	Exercise Price (CAD)	Outstanding	Exercisable
May 15, 2014	$ 0.97	670,000	670,000
October 7, 2014	0.70	150,000	150,000
February 23, 2015	0.86	25,000	25,000
June 9, 2015	1.22	470,000	470,000
June 24, 2015	1.22	50,000	50,000
March 18, 2016	1.96	885,000	885,000
June 9, 2016	1.98	100,000	100,000
August 2, 2016	1.70	50,000	50,000
October 19, 2016	1.25	150,000	100,000
May 1, 2017	0.78	1,845,000	1,229,994
May 31, 2017	0.78	150,000	100,000
June 15, 2017	0.58	150,000	100,000
August 1, 2017	0.40	285,000	189,999
January 31, 2018	0.37	2,505,000	834,992
May 1, 2018	0.26	100,000	33,333
		7,585,000	4,988,318

During the year ended December 31, 2013, the Company recognized $1,077,589 (four months ended December 31, 2012 – $352,983; year ended August 31, 2012 – $1,599,511) of share-based compensation. As at December 31, 2013, the remaining unvested share-based compensation was $168,755.

(d) Finders' options

	Number of Options		Exercise Price (CAD)
Balance, August 31, 2011	396	$	0.75
Exercised	(396)		0.75
Balance, August 31, 2012, December 31, 2012 and 2013	–	$	–

Finders' options vested on the date of grant and entitled the holder to acquire one Unit at $0.75 until May 5, or May 31, 2012 comprised of one common share plus one-half of one Series A Warrant (Note 11(e)).

(e) Share purchase warrants

	Series A Warrant		Exercise Price (CAD)	Series B Warrant		Exercise Price (CAD)
Balance, August 31, 2011	1,879,316	$	1.00	1,002,365	$	1.50
Issued	198		1.00	303,531		1.50
Exercised	(303,531)		(1.00)	(198)		(1.50)
Expired	(1,575,983)		(1.00)	–		–
Balance, August 31, 2012 and December 31, 2012	–	$	–	1,305,698	$	1.50
Expired	–		–	(1,305,698)		(1.50)
Balance, December 31, 2013	–	$	–	–	$	–

(United States dollars)

Series A Warrants were exercisable until May 5 or May 31, 2012. Upon the exercise of a Series A Warrant, a Series B Warrant was issued entitling the holder to acquire a common share of the Company at $1.50 until May 5 or May 31, 2013.

12. PER SHARE AMOUNTS:

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Net loss	$ (14,991,261)	$ (865,239)	$ (5,035,575)
Opening number of shares	104,515,222	104,515,222	54,674,907
Effect of shares issued	–	–	19,231,832
Basic weighted average number of shares	104,515,222	104,515,222	73,906,739
Basic and diluted per share amounts:			
Net loss	$ (0.14)	$ (0.01)	$ (0.07)

For the year ended December 31, 2013, four months ended December 31, 2012 and year ended August 31, 2012, all stock options and share purchase warrants were excluded from the diluted per share amounts as their effect was anti-dilutive.

13. IMPAIRMENT:

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Trade and other receivables (a)	$ 592,589	$ –	$ –
Exploration and evaluation assets (b)	2,451,777	–	–
Property and equipment (c)	11,683,918	–	–
	$ 14,728,284	$ –	$ –

(a) Trade and other receivables

During 2013, the Company evaluated the collectability of $1,038,768 USD denominated receivables from two Argentine operators and recognized $592,589 of impairment due to collectability concerns. The Company continues to address matters with the operators in an attempt to collect the entire amounts receivable.

(b) Exploration and evaluation assets

During the quarter ended June 30, 2013, the Company recognized impairment for the entire carrying amount of the Cañadón Ramirez Concession in the amount of $331,777 as the Company has no current plans to further develop the Concession.

During 2013, the Company also recognized $2,120,000 of impairment related to the El Valle cash-generating unit (“CGU”) as disclosed below in Note 13 (c).

The Company did not identify any indicators of impairment during the four months ended December 31, 2012 and the year ended August 31, 2012.

(United States dollars)

(c) Property and equipment

During 2013, the Company identified certain business risks related to its El Valle CGU, such as steeper natural production declines than forecast on some producing wells, increasing operating costs and the deferral of future capital investment, as indicators of impairment. As a result, the Company performed impairments tests at June 30, 2013 and December 31, 2013.

Management estimated the recoverable amount of the El Valle CGU based on the higher of the fair value less costs to sell and its value in use. The estimated recoverable amount for the El Valle CGU was based on 25% discounted cash flows expected to be derived from the El Valle CGU's proved plus probable reserves based on the externally prepared December 31, 2013 reserve report. The December 31, 2013 estimated recoverable amount was $13,803,918 lower than the carrying amount at December 31, 2013 of which $9,043,918 was initially recognized in the quarter ended June 30, 2013 and an additional $4,760,000 was recognized at December 31, 2013. Of the total impairment recognized in 2013, $11,683,918 was allocated to property and equipment and $2,120,000 was allocated to exploration and evaluation assets.

The following prices were used in the December 31, 2013 impairment test of the El Valle CGU:

Year	Average USD price per barrel
2014	$ 69.50
2015	72.68
2016	74.13
2017	75.61
2018	77.12
2019 and thereafter	2% escalation

A 1% increase in the discount rate would increase the impairment charge by approximately $180,000; conversely, a 1% decrease in the discount rate would decrease the impairment charge by approximately $240,000. A 5% decline (improvement) in the forecasted oil price would increase (decrease) the impairment charge by approximately $1.7 million.

The Company did not identify any indicators of impairment in relation to its El Valle CGU during the four months ended December 31, 2012 and the year ended August 31, 2012.

The Company did not identify any indicators of impairment in relation to its TDF CGU during the year ended December 31, 2013, four months ended December 31, 2012 and the year ended August 31, 2012.

14. OTHER INCOME:

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Petroleo Plus Credits (a)	$ 5,983,564	$ –	$ –
VAT recoveries (b)	327,962	660,249	40,672
	$ 6,311,526	$ 660,249	$ 40,672

(a) Petroleo Plus Credits

The Government of Argentina implemented the Petroleo Plus Program in 2008 to reward producers who materially increase oil reserves and production through drilling and development by issuing export tax credits ("Petroleo Plus Credits") that can be used to offset taxes on oil sold off shore at market price. Petroleo Plus Credits are transferrable and can be sold to other domestic oil exporters.

(United States dollars)

The Company recognizes revenue from the sale of Petroleo Plus Credits when proceeds are received. During the year ended December 31, 2013, the Company received proceeds of $6 million for the sale of Petroleo Plus Credits earned in previous years.

(b) VAT recoveries

In 2009, Antrim Argentina wrote off $1.03 million of VAT credits which were considered uncollectible at the time due to the tax free status of the Province of Tierra del Fuego ("TDF"). However, as a result of the decision of the Federal Government of Argentina in 2012, subsequent to the acquisition of Antrim Argentina, which removed certain favourable tax laws pertaining to the Province of TDF, the Company is able to apply the credits against VAT now charged on TDF sales. During the year ended December 31, 2013, the Company recognized $327,962 (four months ended December 31, 2012 – $660,429; year ended August 31, 2012 – $40,672) for the recovery of amounts previously estimated as unrecoverable.

15. TAXES:

The reconciliation of the Company's tax provision computed at statutory rates to the reported tax provision (reduction) is as follows:

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Canadian statutory rate	25%	25%	25.5%
Current tax reduction at statutory rates	$ (3,747,816)	$ (216,310)	$ (1,371,471)
Share-based payments	251,644	79,261	363,755
Non-taxable items and other	(1,209,610)	(727,357)	(263,560)
Effect of tax rate differences	(1,472,893)	(85,478)	(212,465)
Effect of loss expiries	386,246	–	–
Effect of loss carried back to prior years	–	–	(342,743)
Foreign exchange (1)	3,670,646	75,392	333,664
Change in unrecognized deferred tax assets	2,121,783	874,492	1,150,077
	$ –	$ –	$ (342,743)

(1) Foreign exchange for the year ended December 31, 2013 primarily relates to the tax effect of the change in functional currency as disclosed in Note 2(c).

The statutory tax rate was unchanged in the year ended December 31, 2013. The statutory tax rate lowered to 25% for the four months ended December 31, 2012 from 25.5% for the year ended August 31, 2012 due to the Canadian Federal rate dropping from 16.5% in the 2011 calendar year to 15% in the 2012 calendar year.

Recognized deferred tax assets (liabilities) are attributable to the following:

	December 31 2013	December 31 2012	August 31 2012
Property and equipment and E&E assets	$ (1,172,404)	$ (1,306,994)	$ (968,799)
Non-capital loss carry forwards	1,172,404	1,306,994	968,799
	$ –	$ –	$ –

(United States dollars)

Unrecognized deferred tax assets

Deferred tax assets have not been recognized for the following deductible temporary differences as it is not probable that future taxable profit will be available against which the Company can utilize the benefits:

	December 31 2013	December 31 2012	August 31 2012
Property and equipment and E&E assets	$ 605,992	$ 8,297,389	$ 6,891,808
Decommissioning obligation	2,359,916	313,796	228,466
Non-capital loss carry forwards	16,376,265	17,092,547	15,766,430
Share issue costs	1,533,716	2,528,161	2,835,695
Foreign exchange and other	6,631,471	1,956,019	1,757,925
	$ 27,507,360	$ 30,187,912	$ 27,480,324

As at December 31, 2013, the Company has approximately $11.1 million and $8.8 million (December 31, 2012 – $7.4 million and $13.3 million; August 31, 2012 – $6.6 million and $12.0 million) of non-capital losses in Canada and Argentina, respectively, available to reduce taxable income. The Canadian non-capital losses expire at various times between 2016 and 2034. Argentina non-capital losses have a five-year life and expire between 2014 and 2019.

The Company has temporary differences associated with its investments in its foreign subsidiary and branch. At December 31, 2013, the Company has no deferred tax liabilities in respect of these temporary differences.

16. SUPPLEMENTAL CASH FLOW INFORMATION:

(a) Change in non-cash working capital items for the year ended December 31, 2013, four months ended December 31, 2012 and year ended August 31, 2012 are as follows:

	December 31 2013	December 31 2012	August 31 2012
Trade and other receivables	$ 586,359	$ (701,651)	$ 332,731
Inventory	552,490	179,067	(313,326)
Prepaid expenses	(562,815)	175,286	(276,918)
Trade and other payables	(1,118,771)	144,552	(1,652,732)
Effect of change in exchange rates	11,400	(75,976)	144,023
	$ (531,337)	$ (278,722)	$ (1,766,222)
Attributable to:			
Operating activities	$ (168,441)	$ (157,279)	$ 143,405
Investing activities	(362,896)	(121,443)	(1,909,627)
	$ (531,337)	$ (278,722)	$ (1,766,222)

(b) The breakdown of the Company's cash and cash equivalents is as follows:

	December 31 2013	December 31 2012	August 31 2012
Cash in bank	$ 8,796,201	$ 1,095,714	$ 1,857,972
Short-term investments	4,579,404	11,816,319	14,456,059
	$ 13,375,605	$ 12,912,033	$ 16,314,031

(c) During 2013, the Company paid $95,125 (2012 – $nil) of interest (Note 9).

(United States dollars)

17. PERSONNEL EXPENSES:

(a) Salaries and benefits

The Company's consolidated statement of loss and comprehensive loss is prepared primarily by nature of expense, with the exception of $3,337,508 of salaries and benefits for employees and executive management which are included in general and administrative expenses for the year ended December 31, 2013 (four months ended December 31, 2012 – $751,207; year ended August 31, 2012 – $1,507,614).

(b) Key management compensation

The Company considers its key management personnel to consist of its officers and directors. The Company's directors and officers participate in the Company's stock option plan.

As at December 31, 2013, key management personnel included 11 individuals (December 31, 2012 – 11 individuals' August 31, 2012 – 11 individuals) and the related compensation recognized in the consolidated statement of loss and comprehensive loss comprised the following:

	Year ended December 31 2013	Four months ended December 31 2012	Year ended August 31 2012
Salaries and benefits	$ 1,889,563	$ 448,797	$ 1,126,793
Director fees	131,794	27,474	88,120
Share-based compensation	847,329	294,174	1,379,115
	$ 2,868,686	$ 770,445	$ 2,594,028

18. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT:

The Company is exposed to various risks that arise from its business environment and the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, policies and procedures. The following outlines the Company's risk exposures and explains how these risks and its capital structure are managed.

(a) Capital management

The Company's objective is to maintain a strong capital position in order to execute on its exploration and development plans and maximize shareholder value.

The Company currently defines its capital as shareholders' equity, working capital and bank debt. Changes to the relative weighting of the capital structure are driven by our business plans, changes in economic conditions and risks inherent in the oil and gas industry. In order to maintain or adjust the capital structure, the Company may consider any or all of the following activities, depending on existing economic conditions and access to external capital sources:

- Issue new shares through a public offering or private placement;
- Utilize its working capital
- Farm-out of existing exploration opportunities; or
- Access other forms of debt.

Antrim Argentina is subject to financial covenants on its bank debt (Note 9) and the Company has provided a US$2.3 million deposit in respect of security against the bank debt which must remain in place until the debt is repaid in full, on or before December 8, 2016.

The Company periodically reviews its capital structure in relation to its exploration and development budgets. The Company's capital management is currently focused on completion of existing exploration commitments and providing for the Company's share of any development programs.

(United States dollars)

(b) Credit risk

The Company is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables, interest-bearing bonds included in other non-current assets and the deposit.

Cash and cash equivalents are held with highly rated Canadian and international banks. Therefore, the Company does not believe these financial instruments are subject to material credit risk.

The Company's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. The Company's trade and other receivables include amounts due from the sale of crude oil and natural gas. The majority of the Company's oil production is sold by the Company to the Argentina subsidiary of a major international oil and natural gas company; the majority of the Company's natural gas production is sold by the Company to several Argentine companies.

The Company's trade and other receivables consist of:

	December 31 2013	December 31 2012	August 31 2012
Due from international oil and gas company	$ 1,169,172	$ 1,057,813	$ 1,427,316
Due from other Argentine companies	2,952,155	2,892,596	1,640,801
Canadian income tax receivable	–	–	349,887
Other receivables	237,593	994,870	825,624
Impairment (Note 13)	(592,589)	–	–
Total trade and other receivables	$ 3,766,331	$ 4,945,279	$ 4,243,628

The Company's trade and other receivables are aged as follows:

	December 31 2013	December 31 2012	August 31 2012
Not past due (less than 90 days)	$ 3,275,578	$ 4,710,135	$ 3,828,325
Past due (more than 90 days)	490,753	235,144	415,303
Total trade and other receivables	$ 3,766,331	$ 4,945,279	$ 4,243,628

Interest-bearing bonds are due from a national trust created by the Argentine government for which quarterly repayment commenced on schedule in January 2011. The Company does not believe these bonds are subject to material credit risk.

Long-term receivables primarily relate to Minimum Presumptive Income Tax which will be applied against future taxable income of Antrim Argentina and therefore the Company does not believe these receivables are subject to material credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk through management of its capital structure and annual budgeting of its revenues, expenditures and cash flows. As of December 31, 2013 the Company has working capital of $15,049,226 (December 31, 2012 – $14,892,869; August 31, 2012 – $17,894,572) which includes $3,952,809 (December 31, 2012 – $4,900,172; August 31, 2012 – $4,755,620) of current liabilities with a contractual maturity of less than one year. Given planned capital expenditures, administrative overhead requirements and commitments, management considers the Company's working capital to be sufficient to meet current financial obligations in the upcoming year.

(d) Market risk

Changes in commodity prices, interest rates and foreign currency exchange rates can expose the Company to fluctuations in its net earnings and in the fair value of its financial assets and liabilities.

(i) Commodity price risk

Price fluctuations for both crude oil and natural gas are determined by world supply and demand factors. The Company has no influence over the pricing of oil and natural gas and has not attempted to mitigate commodity price risk through the use of financial derivatives. Currently all of the Company's oil and gas revenue is from Argentina. Oil prices in Argentina are subject to domestic market discounts which result in prices significantly below world benchmark rates.

(ii) Interest rate risk

The Company is exposed to interest rate fluctuations on its investments of excess cash in short-term money market investments held with international banks. Assuming all other variables remain constant, a 1% change in the interest rate applicable to the Company's cash and cash equivalents would result in a $45,800 change to net loss for the year ended December 31, 2013.

The Company's bank debt is at a fixed rate of interest.

(iii) Foreign currency exchange rate risk

A substantial portion of the Company's exploration and development activities are conducted in foreign jurisdictions and a portion of the Company's cash and cash equivalents are denominated in CAD and ARS. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

The following tables provide information on the foreign currency denominated financial instruments held by the Company:

As at December 31, 2013	Balance denominated in		Total USD
	CAD	ARS	equivalents
Cash and cash equivalents	$ 5,204,441	$ 54,866,243	$ 13,287,600
Trade and other receivables	$ 110,638	$ 1,667,062	$ 359,329
Interest-bearing bonds	$ –	$ 1,800,299	$ 276,346
Trade and other payables	$ 361,643	$ 13,967,698	$ 2,482,141
Bank debt	$ –	$ 26,800,000	$ 4,113,800

As at December 31, 2012	Balance denominated in		Total USD
	CAD	ARS	equivalents
Cash and cash equivalents	$ 11,898,690	$ 3,937,518	$ 12,706,374
Trade and other receivables	$ 270,529	$ 5,995,543	$ 1,490,861
Interest-bearing bonds	$ –	$ 2,250,373	$ 457,726
Trade and other payables	$ 538,229	$ 12,714,090	$ 3,125,943

As at August 31, 2012	Balance denominated in		Total USD
	CAD	ARS	equivalents
Cash and cash equivalents	$ 14,594,665	$ 6,414,748	$ 16,108,860
Trade and other receivables	$ 464,577	$ 4,187,508	$ 1,372,376
Interest-bearing bonds	$ –	$ 2,362,892	$ 509,912
Trade and other payables	$ 647,185	$ 12,909,147	$ 3,438,739

(iv) Sensitivity analysis

The following table presents an estimate of the impact on net loss for the market risk factors discussed above and is calculated based on the noted change in exchange rates applied to balances as at December 31, 2013:

Market risk	Change in exchange rates		Year ended December 31 2013
Foreign exchange - effect of strengthening USD:			
CAD denominated financial assets and liabilities	5%	$	231,550
ARS denominated financial assets and liabilities	5%	$	134,818

19. COMMITMENTS:

(a) Leased premises

- The Company is committed to future payments for Canadian office rental and a proportionate share of operating costs in the amount of CAD $24,208 ($22,632) per month from January 1, 2014 until October 31, 2014, CAD $24,817 ($23,201) from November 1, 2014 to October 31, 2017 and CAD $25,426 ($23,771) from November 1, 2017 to October 31, 2019.
- The Company is committed to future payments for Buenos Aires accommodation rental in the amount of $3,500 per month until August 31, 2014.
- The Company is committed to future payments for Buenos Aires office rental in the amount of $10,500 per month until May 31, 2014, $12,000 per month from June 1, 2014 to March 31, 2015, $12,600 per month from April 1, 2015 to March 31, 2016 and $13,230 per month from April 1, 2016 to March 31, 2017.
- In the cases of Argentina leases, the Company has the option to cancel the commitments at any time for a penalty of one month rent cost.

(b) El Valle Concession

On October 25, 2012, the Parliament of Santa Cruz Province issued Law 3293 approving the extension of the El Valle Concession until January 2026. As at December 31, 2013, the Company's 50% share of commitments on the Lago de Desierto UTE in relation to the extension are as follows:

(in millions of $)	2014 to 2016	2017 to 2020	2021 to 2024	2025 to 2026	Total
Total	$ 4.2	$ 4.4	$ 2.6	$ 1.8	$ 13.0

As part of the extension commitment, the Company paid $66,953 on November 24, 2012, $18,576 on January 4, 2013 and $18,576 on July 3, 2013.

The Company has the right to freely market and dispose of the hydrocarbons lifted from the area, after paying 15% production royalties to the Province of Santa Cruz. In addition, the Company is required to pay a yearly surface rent of ARS 110,236 ($16,921) based on a rate of ARS 3,445 ($529) per square kilometre on the acreage covered by the El Valle Concession at the Company's 50% working interest.

(c) Cañadón Ramirez Concession

The Cañadón Ramirez Concession is not subject to any mandatory relinquishments of acreage nor any outstanding work commitments other than the work plans submitted by the Company to the Provincial and Federal governments on a yearly basis.

The Company has the right to freely market and dispose of the hydrocarbons lifted from the area, after paying the standard 12% royalties to the Province of Chubut. In addition, the Company is required to pay a yearly surface rent of ARS 88,085 ($13,521) based on a rate of ARS 3,445 ($529) per square kilometre on the acreage covered by the Cañadón Ramirez Concession.

(d) Cerro De Los Leones Concession

Following the receipt of environmental permits for its 100% interest in the Cerro De Los Leones Concession in May 2012 and a subsequent reduction in the concession area following a governmental designation of certain acreage as protected, the Company has the following work commitments with respect to the concession:

- Commencing May 2012, $9.1 million of expenditures over a three-year period ("Period 1") of which $4.1 million had been incurred as at December 31, 2013;
- Commencing upon the expiry of Period 1, $0.75 million of expenditures including one exploration well over a two-year period ("Period 2"); and
- Commencing upon the expiry of Period 2, one exploration well ("Period 3").

If the Company fails to make the necessary expenditures during Period 1, it will surrender all of the land on that concession.

If a commercial discovery is made by the Company, it will be entitled to obtain an exclusive 25-year exploitation concession to produce hydrocarbons from the relevant discovery and shall also be granted the right to freely market and dispose of the hydrocarbons lifted from the area, after paying the standard monthly 16% royalty to the Province of Mendoza. The Cerro Los Leones Permit is also subject to the payment of yearly surface rent per square kilometre on the acreage covered by the Cerro Los Leones Permit.

(e) Laguna de Piedra Concession

The Company will have the following work commitments with respect to its 100% interest in the Laguna de Piedra Concession in the event that the necessary environmental work permits are received:

- Commencing upon the receipt by the Company of the environmental permits, $2.85 million of expenditures over a two-year period ("Period 1") including a minimum of one exploration well; and
- Commencing upon the expiry of Period 1, $1.75 million of expenditures including one exploration well over a one-year period ("Period 2").

If a commercial discovery is made by the Company, it will be entitled to obtain an exclusive 25-year exploitation concession to produce hydrocarbons from the relevant discovery and shall also be granted the right to freely market and dispose of the hydrocarbons from the relevant discovery, after paying the standard monthly 12% royalty to the State of Rio Negro. The Laguna de Piedra Permit is also subject to the payment of yearly surface rent per square kilometre on the acreage covered by the Laguna de Piedra Permit.

(f) Tierra del Fuego Concessions

The Company's 25.78% working interest in the Tierra del Fuego area of Argentina covers approximately 489,000 acres (126,000 net acres) in the Austral Basin and includes the Las Violetas, Angostura Sur and Rio Cullen Exploitation Concessions. In July 2013, the provincial legislature approved a ten year extension of the concessions to August 2026.

The Company's share of the key terms of the extensions are:

Las Violetas Exploitation Concession

- Cash payment: $1.3 million paid in three equal installments commencing in July 2013 and subsequently in 180 day successive periods;
- Base royalty: increase from 12% to 15%;
- Variable royalty: 0.5% to a maximum of 2.5% (in 0.5% increments) with increasing oil and gas prices;

- Minimum total development investment commitment: $10.8 million to be expended over the remaining life of the concession which will be met, in part, through an eight well program for which a drilling rig was secured in February 2014 for a one year term with provisions to extend; and
- Minimum total exploration investment commitment: $1.3 million to be expended over the next 60 months.

Rio Cullen and Angostura Exploitation Concessions

- Exploration commitment - Rio Cullen: $0.85 million, Angostura: $0.98 million which in both cases includes seismic and drilling and is to be expended over a 24 month period;
- Base royalty: increase from 12% to 15%; and
- Variable royalty: 0.5% to 2.5% (in 0.5% increments) with increasing oil and gas prices.

After fulfillment of the exploration commitments, there is an additional minimum total additional investment commitment of $0.46 million on each concession.

(United States dollars)

20. SEGMENTED INFORMATION:

The Company's reportable segments are organized by activity type and geographic area. Activity types are (1) the acquisition, exploration and development of oil and gas properties in Argentina and (2) Canadian corporate operations. Within Argentina, the Company has three operating segments: the El Valle area, the Tierra del Fuego area and other, which includes areas under exploration and evaluation.

The following tables present information regarding the Company's reportable segments:

	Canada [1]	Argentina				Total
		El Valle	Tierra del Fuego	E&E Concessions	Total	
December 31, 2013	$	$	$	$	$	$
Exploration and evaluation assets	–	–	–	10,350,417	10,350,417	10,350,417
Property and equipment	405,404	12,362,377	19,262,070	–	31,624,447	32,029,851
Total assets	7,821,602	17,077,536	29,618,909	10,350,417	57,046,862	64,868,464
Total liabilities	(546,302)	(1,341,903)	(8,257,791)	(24,130)	(9,623,824)	(10,170,126)
Year ended December 31, 2013						
Revenue [2]	189,989	6,029,997	15,686,650	–	21,716,647	21,906,636
Petroleo Plus Credits	–	5,983,564	–	–	5,983,564	5,983,564
Impairment	–	(12,130,507)	(146,000)	(2,451,777)	(14,728,284)	(14,728,284)
Net income (loss)	(4,270,550)	(9,452,356)	1,183,422	(2,451,777)	(10,720,711)	(14,991,261)
December 31, 2012						
Exploration and evaluation assets	–	–	–	9,945,769	9,945,769	9,945,769
Property and equipment	410,461	28,558,746	24,581,078	–	53,139,824	53,550,285
Total assets	12,832,389	31,120,153	30,112,780	9,945,769	71,178,702	84,011,091
Total liabilities	(537,767)	(1,628,996)	(3,537,045)	(1,502,719)	(6,668,760)	(7,206,527)
Four months ended December 31, 2012						
Revenue [2]	110,204	2,356,140	5,942,821	–	8,298,961	8,409,165
Net income (loss)	(1,159,632)	(928,118)	1,222,511	–	294,393	(865,239)
August 31, 2012						
Exploration and evaluation assets	–	–	–	7,404,202	7,404,202	7,404,202
Property and equipment	112,863	29,923,216	26,650,143	–	56,573,359	56,686,222
Total assets	15,608,388	32,648,926	31,856,394	7,404,202	71,909,522	87,517,910
Total liabilities	(611,587)	(2,848,079)	(3,522,638)	(61,071)	(6,431,788)	(7,043,375)
Year ended August 31, 2012						
Revenue [2]	339,090	8,342,391	2,426,073	–	10,768,464	11,107,554
Net income (loss)	(3,848,026)	(249,551)	(937,998)	–	(1,187,549)	(5,035,575)

[1] Canada is comprised of corporate assets only.
[2] Represents interest income in Canada and oil and gas revenue in Argentina.