

**CROWN POINT ENERGY INC.**  
**Condensed Interim Consolidated Financial Statements**

For the three months ended March 31, 2014  
(Unaudited)

**CROWN POINT ENERGY INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)  
(United States dollars)

	March 31 2014	December 31 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,478,797	\$ 13,375,605
Trade and other receivables	3,388,922	3,766,331
Inventory	173,159	231,833
Prepaid expenses	1,440,550	1,628,266
	<u>14,481,428</u>	<u>19,002,035</u>
Exploration and evaluation assets (Note 5)	12,178,971	10,350,417
Property and equipment (Note 6)	31,089,074	32,029,851
Other non-current assets (Note 7)	1,257,191	1,176,161
Deposit (Note 8)	2,310,000	2,310,000
	<u>\$ 61,316,664</u>	<u>\$ 64,868,464</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade and other payables	\$ 2,860,828	\$ 3,781,401
Current portion of bank debt (Note 8)	557,657	171,408
	<u>3,418,485</u>	<u>3,952,809</u>
Bank debt (Note 8)	2,788,286	3,942,392
Decommissioning provision (Note 9)	2,425,244	2,274,925
	<u>8,632,015</u>	<u>10,170,126</u>
Shareholders' equity:		
Share capital	101,334,798	101,334,798
Contributed surplus	6,173,226	6,113,152
Accumulated other comprehensive loss	(17,230,044)	(16,992,986)
Deficit	(37,593,331)	(35,756,626)
	<u>52,684,649</u>	<u>54,698,338</u>
	<u>\$ 61,316,664</u>	<u>\$ 64,868,464</u>

Subsequent event (Note 10)  
Segmented information (Note 16)

See accompanying notes to the condensed interim consolidated financial statements.

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

	For the three months ended March 31	
	2014	2013
Revenue		
Oil and gas	\$ 4,443,425	\$ 6,384,168
Royalties	(827,858)	(1,242,077)
	<u>3,615,567</u>	<u>5,142,091</u>
Expenses		
Operating	1,609,201	2,354,872
General and administrative	1,151,790	1,632,765
Share-based payments	57,746	540,141
Depletion and depreciation	1,362,926	2,110,432
Foreign exchange loss	1,005,979	55,072
	<u>5,187,642</u>	<u>6,693,282</u>
Results from operating activities	(1,572,075)	(1,551,191)
Net finance expense (Note 12)	(264,630)	(166,185)
Other income (Note 13)	–	1,521,684
Net loss for the period	(1,836,705)	(195,692)
Exchange differences on translation of foreign operations	(237,058)	(2,574,599)
Comprehensive loss	<u>\$ (2,073,763)</u>	<u>\$ (2,770,291)</u>
Net loss per share (Note 11)		
Basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>

See accompanying notes to the condensed interim consolidated financial statements.

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

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	For the three months ended March 31	
	2014	2013
Share capital	\$ 101,334,798	\$ 101,536,837
Contributed surplus		
Balance, beginning of period	6,113,152	4,833,524
Share-based payments	60,074	581,569
Balance, end of period	6,173,226	5,415,093
Accumulated other comprehensive loss		
Balance, beginning of period	(16,992,986)	(8,800,432)
Exchange differences on translation of foreign operations	(237,058)	(2,574,599)
Balance, end of period	(17,230,044)	(11,375,031)
Deficit		
Balance, beginning of period	(35,756,626)	(20,765,365)
Net loss for the period	(1,836,705)	(195,692)
Balance, end of period	(37,593,331)	(20,961,057)
<b>Total Shareholders' Equity</b>	<b>\$ 52,684,649</b>	<b>\$ 74,615,842</b>

See accompanying notes to the condensed interim consolidated financial statements.

**CROWN POINT ENERGY INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(United States dollars)

	For the three months ended March 31	
	2014	2013
<hr/>		
Cash provided by (used in):		
Operating:		
Net loss	\$ (1,836,705)	\$ (195,692)
Items not affecting cash:		
Depletion and depreciation	1,362,926	2,110,432
Share-based payments	57,746	540,141
Unrealized foreign exchange loss (gain)	1,026,969	(219,065)
Interest expense	128,902	-
Accretion of decommissioning provision	14,982	79,973
	<hr/> 754,820	<hr/> 2,315,789
Change in non-cash working capital (Note 14)	119,567	(1,599,391)
	<hr/> 874,387	<hr/> 716,398
Financing:		
Interest expense	(128,902)	-
Investing:		
Exploration and evaluation asset expenditures	(1,740,656)	(1,696,348)
Property and equipment expenditures, net	(374,189)	(1,302,647)
Change in other non-current assets	(300,565)	20,044
Change in non-cash working capital (Note 14)	(414,258)	(808,528)
	<hr/> (2,829,668)	<hr/> (3,787,479)
Change in cash and cash equivalents	(2,084,183)	(3,071,081)
Foreign exchange effect on cash held in foreign currencies	(1,812,625)	(39,472)
Cash and cash equivalents, beginning of period	13,375,605	12,912,033
Cash and cash equivalents, end of period	<hr/> \$ 9,478,797	<hr/> \$ 9,801,480

See accompanying notes to the condensed interim consolidated financial statements.

**CROWN POINT ENERGY INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the three months ended March 31, 2014  
(Unaudited)  
(United States dollars)

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**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.

The Company's registered office is Suite 1600, 700 – 6<sup>th</sup> Street SW, Calgary, Alberta, T2P OT8.

**2. BASIS OF PRESENTATION:**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standard 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented except as noted below (Note 3). These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2013.

These unaudited condensed interim 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.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2014.

**3. CHANGES IN ACCOUNTING POLICIES:**

As disclosed in the Company's December 31, 2013 audited consolidated financial statements, on January 1, 2014, the Company adopted amendments to IAS 32 "Financial Instruments: Presentation" and IAS 36 "Impairment of Assets" as well as new IFRIC 21 "Levies". The adoption of these amendments and new standard had no measurement or disclosure impact on the Company's unaudited condensed interim consolidated financial statements.

**4. TRADE AND OTHER RECEIVABLES:**

The Company's trade and other receivables consist of:

	March 31 2014	December 31 2013
Due from international oil and gas company	\$ 1,377,953	\$ 1,169,172
Due from other Argentine companies	2,603,558	2,952,155
Other receivables	–	237,593
Accumulated impairment	(592,589)	(592,589)
<b>Total trade and other receivables</b>	<b>\$ 3,388,922</b>	<b>\$ 3,766,331</b>

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

	March 31 2014	December 31 2013
Not past due (less than 90 days)	\$ 2,774,441	\$ 3,275,578
Past due (more than 90 days)	614,481	490,753
<b>Total trade and other receivables</b>	<b>\$ 3,388,922</b>	<b>\$ 3,766,331</b>

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The Company's trade and other receivables are subject to credit risk. 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.

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. No further impairment was recognized during the three months ended March 31, 2014.

**5. EXPLORATION AND EVALUATION ASSETS ("E&E"):**

Carrying amount, December 31, 2013	\$ 10,350,417
Additions	1,740,656
Decommissioning changes	87,898
<hr/>	
Carrying amount, March 31, 2014	\$ 12,178,971

E&E assets consist of the Company's 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 March 31, 2014 include \$1.3 million of Value Added Tax (December 31, 2013 – \$1.3 million).

**6. PROPERTY AND EQUIPMENT:**

	Argentina		Canada	
	Development and Production Assets	Other Assets	Other Assets	Total
	\$	\$	\$	\$
<b>Cost:</b>				
Balance, December 31, 2013	54,661,274	277,276	749,155	55,687,705
Additions	367,705	557	8,255	376,517
Decommissioning changes	47,439	–	–	47,439
Effect of change in exchange rates	–	–	(24,872)	(24,872)
<hr/>				
Balance, March 31, 2014	55,076,418	277,833	732,538	56,086,789
<b>Accumulated depletion and depreciation:</b>				
Balance, December 31, 2013	23,179,842	134,261	343,751	23,657,854
Depletion and depreciation	1,318,275	9,737	23,335	1,351,347
Effect of change in exchange rates	–	–	(11,486)	(11,486)
<hr/>				
Balance, March 31, 2014	24,498,117	143,998	355,600	24,997,715
<b>Net carrying amount:</b>				
December 31, 2013	31,481,432	143,015	405,404	32,029,851
March 31, 2014	30,578,301	133,835	376,938	31,089,074

Capitalized amounts:

The amounts capitalized as D&P assets in Argentina during the three months ended March 31, 2014 include \$34,032 of general and administrative costs and \$2,328 of share-based compensation (March 31, 2013 – \$223,193 of general and administrative costs and \$41,428 of share-based compensation).

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As at March 31, 2014, D&P assets in Argentina include \$3.1 million of Value Added Tax ("VAT") (December 31, 2013 – \$3.3 million). 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.

Future development costs and salvage value:

The Company increased the March 31, 2014 depletable amount by \$26.7 million (December 31, 2013 – \$27.3 million) for estimated future development costs associated with proved and probable reserves in Argentina and reduced the March 31, 2014 depletable amount by \$0.6 million of estimated salvage value (December 31, 2013 – \$0.6 million).

**7. OTHER NON-CURRENT ASSETS:**

	March 31 2014	December 31 2013
Interest-bearing bonds	\$ 290,462	\$ 358,955
Long-term receivables	1,046,474	899,815
	1,336,936	1,258,770
Current portion of interest-bearing bonds included in trade and other receivables	(79,745)	(82,609)
<b>Total non-current assets</b>	<b>\$ 1,257,191</b>	<b>\$ 1,176,161</b>

**8. BANK DEBT:**

The Company has a ARS 26,800,000 loan with HSBC Argentina which 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 Company has 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.

As at March 31, 2014, the balance owing under the debt facility was ARS 26,800,000 (\$3,345,943), of which \$557,657 is classified as a current liability and \$2,788,286 is long-term (December 31, 2013 – \$4,113,800; \$171,408 current and \$3,942,392 long-term).

During the three months ended March 31, 2014, the Company recognized \$128,902 of interest expense on bank debt.

**9. 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. A reconciliation of the decommissioning provision is provided below:

Balance, December 31, 2013	\$ 2,274,925
Additions	87,898
Change in estimates	47,439
Accretion	14,982
<b>Balance, March 31, 2014</b>	<b>\$ 2,425,244</b>



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The Company's decommissioning provision is based on the following assumptions:

Undiscounted inflation-adjusted amount of cash flows	\$3.4 million
Average risk-free interest rate	2.9%
Inflation rate	1.5%
Weighted average expected timing of cash flows	11.4 years

**10. SHARE-BASED COMPENSATION:**

Stock option activity is summarized as follows:

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2013	7,585,000	\$ 0.83
Forfeited	(510,000)	(1.05)
Balance, March 31, 2014	7,075,000	\$ 0.82
Balance exercisable, March 31, 2014	5,458,337	\$ 0.90

Stock options outstanding and exercisable at March 31, 2014 are as follows:

Expiry date	Exercise Price (CAD)	Outstanding	Exercisable
October 7, 2014	\$ 0.70	150,000	150,000
February 23, 2015	0.86	25,000	25,000
May 15, 2015	0.97	670,000	670,000
June 9, 2015	1.22	395,000	395,000
June 24, 2015	1.22	50,000	50,000
March 18, 2016	1.96	785,000	785,000
June 9, 2016	1.98	100,000	100,000
October 19, 2016	1.25	150,000	150,000
May 1, 2017	0.78	1,710,000	1,140,002
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	2,355,000	1,570,003
May 1, 2018	0.26	100,000	33,333
		7,075,000	5,458,337

During the three months ended March 31, 2014, the Company recognized \$60,074 (three months ended March 31 2013 – \$581,569) of share-based compensation. As at March 31, 2014, the remaining unvested share-based compensation was \$104,212.

On May 9, 2014, the Company granted 1,280,000 stock options to directors, officers and employees of the Company. The options are exercisable at \$0.87 per share and expire May 9, 2019. One-third of the options vest immediately and the remainder vest in equal tranches on the first and second year anniversaries of the grant date.

In May 2014, the Company extended the expiry date of 670,000 options held by a deceased officer and director of the Company by one year to May 15, 2015.

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(Unaudited)  
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**11. PER SHARE AMOUNTS:**

	For the three months ended March 31	
	2014	2013
Net loss for the period	\$ (1,836,705)	\$ (195,692)
Opening number of shares	104,515,222	104,515,222
Effect of shares issued	—	—
Basic weighted average number of shares	104,515,222	104,515,222
Basic and diluted loss per share	\$ (0.02)	\$ (0.00)

Stock options were excluded from the diluted per share amounts as their effect is anti-dilutive in loss periods.

**12. FINANCE INCOME (EXPENSE)**

	For the three months ended March 31	
	2014	2013
Interest income	36,948	54,020
Financing fees and bank charges	(157,694)	(140,232)
Interest expense (Note 8)	(128,902)	—
Accretion of decommissioning provision	(14,982)	(79,973)
Net finance expense	(264,630)	(166,185)

**13. OTHER INCOME:**

The Company did not recognize any other income during the three months ended March 31, 2014. Other income for the three months ended March 31, 2013 is comprised of \$1,200,189 of Petroleo Plus Credits and \$321,495, of VAT recoveries.

**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.

The Company recognizes revenue from the sale of Petroleo Plus Credits when proceeds are received. During the three months ended March 31, 2013, the Company received proceeds of \$1.2 million for the sale of Petroleo Plus Credits earned in previous years.

**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 three months ended March 31, 2013, the Company recognized \$321,495 for the recovery of amounts previously estimated as unrecoverable.

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(Unaudited)  
(United States dollars)

**14. SUPPLEMENTAL CASH FLOW INFORMATION:**

(a) Change in non-cash working capital items:

	For the three months ended March 31	
	2014	2013
Trade and other receivables	\$ 377,409	\$ (1,237,486)
Inventory	47,095	393,982
Prepaid expenses	187,716	(226,943)
Trade and other payables	(920,573)	(1,319,620)
Effect of change in exchange rates	13,662	(17,852)
	\$ (294,691)	\$ (2,407,919)
Attributable to:		
Operating activities	\$ 119,567	\$ (1,599,391)
Investing activities	(414,258)	(808,528)
	\$ (294,691)	\$ (2,407,919)

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

	March 31 2014	December 31 2013
Cash in bank	\$ 5,359,074	\$ 8,796,201
Short-term investments	4,119,723	4,579,404
	\$ 9,478,797	\$ 13,375,605

(c) During the three months ended March 31, 2014, the Company paid \$128,902 (three months ended March 31, 2013 – \$nil) of interest (Note 8).

**15. 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 March 31, 2014	Balance denominated in		Total USD equivalents
	CAD	ARS	
Cash and cash equivalents	\$ 4,649,317	\$ 42,203,819	\$ 9,474,085
Trade and other receivables	\$ 20,174	\$ 3,776,458	\$ 489,721
Interest-bearing bonds	\$ –	\$ 1,687,780	\$ 210,717
Trade and other payables	\$ (583,497)	\$ (18,102,585)	\$ (2,786,730)
Bank debt	\$ –	\$ (26,800,000)	\$ (3,345,943)

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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 March 31, 2014:

Sensitivity analysis	Change in exchange rates	Three months ended March 31 2014
Foreign exchange - effect of strengthening USD:		
CAD denominated financial assets and liabilities	5%	\$ 184,700
ARS denominated financial assets and liabilities	5%	\$ 17,200

**CROWN POINT ENERGY INC.**  
**NOTES TO CONSENSUED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the three months ended March 31, 2014  
(Unaudited)  
(United States dollars)

**16. 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 <sup>(1)</sup>	Argentina				Total
		El Valle	Tierra del Fuego	E&E Concessions	Total	
March 31, 2014	\$	\$	\$	\$	\$	\$
Exploration and evaluation assets	–	–	–	12,178,971	12,178,971	12,178,971
Property and equipment	376,938	11,920,569	18,791,567	–	30,712,136	31,089,074
Total assets	6,973,194	15,343,492	26,821,007	12,178,971	54,343,470	61,316,664
Total liabilities	(527,423)	(1,259,269)	(6,779,823)	(65,500)	(8,104,592)	(8,632,015)
Three months ended March 31, 2014						
Revenue <sup>(2)</sup>	36,948	999,632	3,443,793	–	4,443,425	4,480,373
Net loss	(587,118)	(989,749)	(259,838)	–	(1,249,587)	(1,836,705)
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)
Three months ended March 31, 2013						
Revenue <sup>(2)</sup>	54,020	2,319,519	4,064,649	–	6,384,168	6,438,188
Petroleo Plus Credits	–	1,200,189	–	–	1,200,189	1,200,189
Net income (loss)	(1,457,006)	436,439	824,875	–	1,261,314	(195,692)

<sup>(1)</sup> Canada is comprised of corporate assets only.

<sup>(2)</sup> Represents interest income in Canada and oil and gas revenue in Argentina.