

**CROWN POINT ENERGY INC.**  
**Condensed Interim Consolidated Financial Statements**  
For the three and nine months ended September 30, 2015  
(Unaudited)

**CROWN POINT ENERGY INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)  
(United States Dollars)

As at	September 30 2015	December 31 2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 18)	\$ 1,638,563	\$ 4,653,853
Short-term bonds (Note 4)	293,929	-
Trade and other receivables (Note 5)	2,560,885	3,242,145
Inventory	640,029	365,500
Prepaid expenses	1,042,377	926,260
Deposits (Note 10)	-	1,700,000
	6,175,783	10,887,758
Exploration and evaluation assets (Note 6)	15,616,753	14,828,994
Property and equipment (Note 7)	32,211,619	29,063,224
Other non-current assets (Note 8)	1,242,635	1,204,336
Deposit (Note 10)	1,585,000	1,585,000
	\$ 56,831,790	\$ 57,569,312
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade and other payables	\$ 2,865,151	\$ 5,015,307
Current portion of bank debt (Note 10)	1,512,133	3,297,250
	4,377,284	8,312,557
Bank debt (Note 10)	1,165,842	1,451,658
Decommissioning provision	1,997,936	2,109,424
	7,541,062	11,873,639
Shareholders' equity:		
Share capital (Note 11)	116,003,355	107,575,856
Contributed surplus	6,856,782	6,724,551
Accumulated other comprehensive loss	(18,036,646)	(17,412,508)
Deficit	(55,532,763)	(51,192,226)
	49,290,728	45,695,673
	\$ 56,831,790	\$ 57,569,312

Reporting entity and going concern (Note 1)  
Commitments (Note 20)  
Subsequent events (Note 21)  
Segmented information (Note 22)

See accompanying notes to 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 September 30		For the nine months ended September 30	
	2015	2014	2015	2014
<b>Revenue</b>				
Oil and gas	\$ 3,447,010	\$ 3,982,151	\$ 11,376,759	\$ 10,693,832
Royalties	(595,293)	(655,650)	(1,982,298)	(1,724,605)
	<b>2,851,717</b>	<b>3,326,501</b>	<b>9,394,461</b>	<b>8,969,227</b>
<b>Expenses</b>				
Operating	1,507,078	1,365,489	4,414,144	3,800,542
General and administrative	1,132,134	1,213,072	3,671,114	3,661,227
Depletion and depreciation	1,473,369	1,111,048	4,336,870	3,294,498
Remediation expenses (Note 14)	-	325,762	-	325,762
Impairment (Note 15)	118,211	24,000	118,211	24,000
Share-based payments (Note 12)	27,585	124,011	128,107	498,822
Foreign exchange (gain) loss	(271,869)	(99,175)	(723,282)	768,545
	<b>3,986,508</b>	<b>4,064,207</b>	<b>11,945,164</b>	<b>12,373,396</b>
<b>Results from continuing operating activities</b>				
	(1,134,791)	(737,706)	(2,550,703)	(3,404,169)
Net finance expense (Note 16)	(269,109)	(209,005)	(894,913)	(629,823)
Other income (expenses) (Note 17)	(219,246)	-	(894,921)	363,539
Net loss from continuing operations	(1,623,146)	(946,711)	(4,340,537)	(3,670,453)
Net loss from discontinued operations, net of tax (Note 3)	-	16,649	-	(8,446,258)
Net loss for the period	(1,623,146)	(930,062)	(4,340,537)	(12,116,711)
Exchange differences on translation of the Canadian parent company	(224,042)	(240,150)	(624,138)	(270,768)
Comprehensive loss for the period	\$ (1,847,188)	\$ (1,170,212)	\$ (4,964,675)	\$ (12,387,479)
Net loss per share from continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.04)
Net loss per share from discontinued operations	\$ -	\$ -	\$ -	\$ (0.08)
Net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.12)
Weighted average shares outstanding - basic and diluted (Note 13)	164,515,222	104,515,222	152,855,201	104,515,222

See accompanying notes to condensed interim consolidated financial statements.

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

For the nine months ended September 30	2015	2014
<b>Share capital</b>		
Balance, beginning of period	\$ 107,575,856	\$ 101,334,798
Issuance of share capital, net of costs (Note 11)	8,427,499	-
Balance, end of period	116,003,355	101,334,798
<b>Contributed surplus</b>		
Balance, beginning of period	6,724,551	6,113,152
Share-based payments (Note 12)	132,231	517,145
Balance, end of period	6,856,782	6,630,297
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	(17,412,508)	(16,992,986)
Exchange differences on translation of Canadian parent company	(624,138)	(270,768)
Balance, end of period	(18,036,646)	(17,263,754)
<b>Deficit</b>		
Balance, beginning of period	(51,192,226)	(35,756,626)
Net loss	(4,340,537)	(12,116,711)
Balance, end of period	(55,532,763)	(47,873,337)
Total shareholders' equity	\$ 49,290,728	\$ 42,828,004

See accompanying notes to condensed interim consolidated financial statements.

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

For the nine months ended September 30	2015	2014
Operating:		
Net loss from continuing operations	\$ (4,340,537)	\$ (3,670,453)
Items not affecting cash:		
Depletion and depreciation	4,336,870	3,294,498
Impairment	118,211	24,000
Share-based payments	128,107	498,822
Unrealized foreign exchange loss	84,925	1,298,784
Interest expense	455,632	377,763
Accretion of decommissioning provision	35,124	42,608
Fair value adjustment on short-term bonds	(6,666)	-
Other income	(287,263)	-
	524,403	1,866,022
Change in non-cash working capital (Note 18)	(371,101)	587,584
Operating cash flows (used in) from continuing operations	153,302	2,453,606
Operating cash flows from discontinued operations (Note 3)	-	312,987
	153,302	2,766,593
Financing:		
Bank debt proceeds, net of repayment	(1,723,259)	-
Proceeds from cash held in trust	1,700,000	-
Interest expense	(455,632)	(377,763)
Proceeds from share issuance, net of costs	8,427,499	-
	7,948,608	(377,763)
Investing:		
Exploration and evaluation expenditures	(805,437)	(4,663,295)
Property and equipment expenditures, net	(7,682,592)	(6,591,524)
Change in other non-current assets	(149,569)	(305,669)
Change in non-cash working capital (Note 18)	(1,499,899)	940,467
Investing cash flows used in continuing operations	(10,137,497)	(10,620,021)
Investing cash flows from discontinued operations (Note 3)	-	245,308
	(10,137,497)	(10,374,713)
Change in cash and cash equivalents	(2,035,587)	(7,985,883)
Foreign exchange effect on cash held in foreign currencies	(979,703)	(2,250,918)
Cash and cash equivalents, beginning of period	4,653,853	13,375,605
Cash and cash equivalents, end of period	\$ 1,638,563	\$ 3,138,804

See accompanying notes to condensed interim consolidated financial statements.

# **CROWN POINT ENERGY INC.**

## **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2015

(Unaudited)

(United States dollars)

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### **1. REPORTING ENTITY AND GOING CONCERN:**

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.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. During the nine months ended September 30, 2015, the Company incurred a net loss of approximately \$4.3 million. As at September 30, 2015, the Company has working capital of approximately \$1.8 million and significant future capital commitments to develop its properties.

The ability of the Company to continue as a going concern and the recoverability of its assets is dependent upon the existence of economically recoverable reserves and upon the Company's ability to obtain additional financing to continue the development of the Company's properties and generate funds therefrom and to meet current and future obligations. The need to obtain capital to fund the existing and ongoing operations creates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the statements of financial position classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Effective January 1, 2015, the Company's wholly-owned subsidiaries Crown Point Oil & Gas S.A. and Antrim Argentina S.A. were amalgamated and continued under the name Antrim Argentina S.A.

### **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. 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, 2014.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 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 November 25, 2015.

### **3. DISCONTINUED OPERATIONS:**

On June 30, 2014, the Company completed the disposition of its 50% interest in the El Valle Exploitation Concession. As the cash flows of El Valle are clearly distinguished, both operationally and for financial reporting purposes, from the rest of the entity, the financial performance of El Valle for both the current and comparative periods have been presented separately as discontinued operations in the consolidated statements of loss and comprehensive loss and statement of cash flows.

The presentation of figures for the comparative three and nine months ended September 30, 2014 has been changed to reflect the impact of discontinued operations.

**CROWN POINT ENERGY INC.**

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015

(Unaudited)

(United States dollars)

The reported net loss from the discontinued operations of El Valle for the three and nine months ended September 30, 2014 is comprised of the following:

	Three months ended September 30 2014	Nine months ended September 30 2014
Oil and natural gas revenue	\$ –	\$ 1,661,944
Royalties	–	(445,085)
Operating expenses	–	(671,392)
Depletion and depreciation	–	(425,664)
Foreign exchange loss	–	(232,480)
Accretion of decommissioning provision	–	(2,840)
Loss on disposition	16,649	(8,330,741)
<b>Net loss from discontinued operations, net of tax</b>	<b>\$ 16,649</b>	<b>\$ (8,446,258)</b>

The cash flows from the discontinued operations of El Valle for the nine months ended September 30, 2014 are as follows:

Net loss from discontinued operations, net of tax	\$ (8,446,258)
Depletion and depreciation	425,664
Accretion of decommissioning provision	2,840
Loss on disposition	8,330,741
<b>Operating cash flows from discontinued operations</b>	<b>\$ 312,987</b>
<b>Investing cash flows from discontinued operations</b>	<b>\$ 245,308</b>

**4. SHORT-TERM BONDS:**

	BONAD 2018	BONAR 2024	Total
Principal received in September 2015	\$ 57,453	\$ 229,810	\$ 287,263
Fair value adjustment	11,722	(5,056)	6,666
<b>Balance, September 30, 2015</b>	<b>\$ 69,175</b>	<b>\$ 224,754</b>	<b>\$ 293,929</b>

In July 2015, the Government of Argentina issued a new decree under which the Government has offered two publicly-traded bonds to qualifying companies with outstanding certificates under the cancelled Petroleo Plus Program. The bonds are comprised of:

- Bonad 2018 2.4% coupon rate bond (“BONAD 2018”), denominated in USD, settled in Pesos and maturing in March 2018; and
- Bonar 2024 8.75% coupon rate bond (“BONAR 2024”), denominated and settled in USD and maturing in May 2024.

As at September 30, 2015, the bonds had an aggregate fair value of \$293,929 based on the September 30, 2015 quoted market price of each bond. The bonds have been classified as short-term based on the Company’s intention to sell the bonds within the next twelve months.

**CROWN POINT ENERGY INC.**

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

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**5. TRADE AND OTHER RECEIVABLES:**

The Company's trade and other receivables consist of:

	September 30 2015	December 31 2014
Due from Argentine companies	\$ 2,709,766	\$ 3,078,914
Other receivables	216,330	410,231
Impairment	(365,211)	(247,000)
<b>Total trade and other receivables</b>	<b>\$ 2,560,885</b>	<b>\$ 3,242,145</b>

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

	September 30 2015	December 31 2014
Not past due (less than 90 days)	\$ 2,369,193	\$ 2,973,977
Past due (more than 90 days)	191,692	268,168
<b>Total trade and other receivables</b>	<b>\$ 2,560,885</b>	<b>\$ 3,242,145</b>

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.

**6. EXPLORATION AND EVALUATION ASSETS:**

Balance at December 31, 2014	\$ 14,828,994
Additions	805,437
Decommissioning changes	(17,678)
<b>Balance at September 30, 2015</b>	<b>\$ 15,616,753</b>

The amounts capitalized as exploration and evaluation assets in Argentina during the nine months ended September 30, 2015 include \$nil of general and administrative costs (nine months ended September 30, 2014 – \$447,709).

As at September 30, 2015, exploration and evaluation assets in Argentina include \$1.4 million of VAT (December 31, 2014 – \$1.4 million). See Note 9.



**CROWN POINT ENERGY INC.**

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015

(Unaudited)

(United States dollars)

**7. PROPERTY AND EQUIPMENT:**

	Argentina		Canada	
	Development and Production Assets	Other Assets	Other Assets	Total
<b>Cost:</b>	\$	\$	\$	\$
Balance at December 31, 2014	40,173,287	522,041	699,807	41,395,135
Additions	7,614,118	49,282	23,316	7,686,716
Decommissioning changes	(128,934)	–	–	(128,934)
Effect of change in exchange rates	–	–	(93,127)	(93,127)
Balance at September 30, 2015	47,658,471	571,323	629,996	48,859,790
<b>Accumulated depletion and depreciation:</b>				
Balance at December 31, 2014	11,700,526	254,937	376,448	12,331,911
Depletion and depreciation	4,239,148	82,293	46,688	4,368,129
Effect of change in exchange rates	–	–	(51,869)	(51,869)
Balance at September 30, 2015	15,939,674	337,230	371,267	16,648,171
<b>Net carrying amount:</b>				
At December 31, 2014	28,472,761	267,104	323,359	29,063,224
At September 30, 2015	31,718,797	234,093	258,729	32,211,619

The amounts capitalized as development and production (“D&P”) assets in Argentina during the nine months ended September 30, 2015 include \$235,591 of general and administrative costs and \$4,124 of share-based compensation (nine months ended September 30, 2014 – \$102,863 and \$18,323, respectively).

As at September 30, 2015, D&P assets in Argentina include \$3.2 million of VAT (December 31, 2014 – \$3.0 million). See Note 9.

The September 30, 2015 depletion expense calculation included \$31.1 million (December 31, 2014 – \$36.1 million) for estimated future development costs associated with proved and probable reserves in Argentina.

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

	September 30 2015	December 31 2014
Interest-bearing bonds	\$ 162,687	\$ 221,930
Long-term receivables	1,134,735	1,044,767
	1,297,422	1,266,697
Current portion of interest-bearing bonds included in trade and other receivables	(54,787)	(62,361)
Total non-current assets	\$ 1,242,635	\$ 1,204,336

**CROWN POINT ENERGY INC.**

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

(United States dollars)

**9. VAT:**

	September 30 2015	December 31 2014
Included in prepaid expenses	\$ 67,502	\$ 2,262
Included in exploration and evaluation assets (Note 6)	1,385,433	1,406,578
Included in property and equipment (Note 7)	3,179,292	2,982,033
	<b>\$ 4,632,227</b>	<b>\$ 4,390,873</b>

**10. BANK DEBT:**

	September 30 2015	December 31 2014
Development loan facility (a)	\$ 1,665,743	\$ 3,035,283
Loan facility (b)	–	1,713,625
Loan facility (c)	1,012,232	–
	2,677,975	4,748,908
Current portion of bank debt	(1,512,133)	(3,297,250)
Long-term portion of bank debt	<b>\$ 1,165,842</b>	<b>\$ 1,451,658</b>

- (a) The Company has an ARS denominated development loan facility with HSBC Argentina which bears interest at 15.25% per annum, calculated and paid monthly. The loan principal is repayable in monthly installments of ARS 1,116,667 until December 8, 2016 and is secured by a USD denominated guaranteed investment certificate (“GIC”) in the amount of \$1,055,000 on deposit with a major Canadian financial institution. See Note 21(a).

As at September 30, 2015, the balance owing under the development loan facility was ARS 15,633,330 (\$1,665,743) (December 31, 2014 – ARS 25,683,333 (\$3,035,283)).

- (b) The Company obtained a second ARS denominated loan facility in the amount of ARS 14,500,000 in November 2014. ARS 6,000,000 bears interest at 30.5% per annum and is repayable on April 12, 2015 and ARS 8,500,000 bears interest at 34% per annum and is repayable on October 16, 2015. Interest is calculated and paid monthly. The loan is secured by a USD denominated GIC in the amount of \$1,700,000 on deposit with a major Canadian financial institution.

The Company repaid the entire ARS 14,500,000 (\$1,636,453) balance owing in April 2015 and the GIC held as security was released in May 2015.

- (c) On June 30, 2015, the Company obtained an ARS 50,000,000 (\$5,500,000) loan facility with HSBC Argentina. The amount advanced under the facility must be drawn in a maximum of three withdrawals on or before October 31, 2015 and bears interest at 19%, calculated and paid monthly commencing on the date the loan is drawn. In October 2015, the Company signed an amendment to the facility agreement, extending the draw date to December 15, 2015 (Note 21(b)).

On July 17, 2015, the Company drew ARS 9,500,000 (\$1,038,512) of proceeds under the loan facility obtained with HSBC Argentina on June 30, 2015, at which time the Company provided the lender security in the form of a US\$530,000 letter of credit held as a GIC with a major Canadian financial institution. The loan principal is repayable in 24 monthly installments commencing July 17, 2016.

As at September 30, 2015, the balance owing under the loan facility was ARS 9,500,000 (\$1,012,232).

- (d) During the three and nine months ended September 30, 2015, the Company recognized \$110,836 and \$455,632, respectively, (three and nine months ended September 30, 2014 – \$123,541 and \$377,763, respectively) of interest expense on bank debt.

**CROWN POINT ENERGY INC.**

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015

(Unaudited)

(United States dollars)

**11. SHARE CAPITAL:**

	Number of common shares	Amount
Balance, December 31, 2014	130,480,926	\$ 107,575,856
Strategic financing	34,034,296	8,508,574
Share issue costs	-	(81,075)
<b>Balance, September 30, 2015</b>	<b>164,515,222</b>	<b>\$ 116,003,355</b>

The Company entered into an Investment Agreement dated November 16, 2014 and amended and restated as of December 19, 2014 with two investors (the "Strategic Investors") pursuant to which the Strategic Investors subscribed for 25,965,704 common shares for aggregate gross proceeds of \$6,491,426 in December 2014 and a second tranche (the "Second Tranche") of 34,034,296 common shares for gross proceeds of \$8,508,574 completed in March and April 2015.

In March 2015, the Company received \$2,677,660 of proceeds upon the issuance of 10,710,640 common shares to the Strategic Investors at an issue price of \$0.25 (CAD \$0.32) per share. The proceeds were received through the payment of (i) ARS 7.0 million based on the USD to ARS exchange rate of Banco de la Nación Argentina at the close of business on February 26, 2015, being \$1.00 = ARS 8.721, and (ii) ARS 16.48 million based on the USD to ARS exchange rate of Banco de la Nación Argentina at the close of business on March 18, 2015, being \$1.00 = ARS 8.791.

In April 2015, the Company completed the balance of the Second Tranche of the strategic financing through the issuance of 23,323,656 common shares to the Strategic Investors at an issue price of \$0.25 (CAD \$0.32) per share for gross proceeds of \$5,830,914. The proceeds were ARS 51.6 million based on the USD to ARS exchange rate of Banco de la Nación Argentina at the close of business on April 9, 2015, being \$1.00 = ARS 8.845.

**12. SHARE-BASED PAYMENTS:**

During the three and nine months ended September 30, 2015 and 2014, the Company recognized the following share-based compensation:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Expensed	\$ 27,585	\$ 124,011	\$ 128,107	\$ 498,822
Capitalized as D&P assets (Note 7)	(673)	5,606	4,124	18,323
	<b>\$ 26,912</b>	<b>\$ 129,617</b>	<b>\$ 132,231</b>	<b>\$ 517,145</b>

As at September 30, 2015, the remaining unvested balance of share-based payments was \$48,013.

Stock option activity during the nine months ended September 30, 2015 is summarized below:

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2014	8,160,000	\$ 0.83
Expired	(1,210,000)	(1.03)
<b>Balance, September 30, 2015</b>	<b>6,950,000</b>	<b>\$ 0.79</b>
<b>Balance exercisable, September 30, 2015</b>	<b>6,536,666</b>	<b>\$ 0.79</b>

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## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Stock options outstanding and exercisable at September 30, 2015 are as follows:

Expiry date	Weighted Average Exercise Price (CAD)	Outstanding	Exercisable
October 31, 2015	\$ 0.48	187,500	175,000
November 29, 2015	0.78	1,327,500	1,248,333
November 30, 2015	1.06	370,000	353,333
March 18, 2016	1.96	495,000	495,000
June 9, 2016	1.98	100,000	100,000
October 19, 2016	1.25	150,000	150,000
May 1, 2017	0.78	1,240,000	1,240,000
May 31, 2017	0.78	150,000	150,000
June 15, 2017	0.58	150,000	150,000
August 1, 2017	0.40	75,000	75,000
January 31, 2018	0.37	1,690,000	1,690,000
May 1, 2018	0.26	100,000	100,000
May 9, 2019	0.87	915,000	610,000
	\$ 0.79	6,950,000	6,536,666

**13. PER SHARE AMOUNTS:**

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net loss from continuing operations	\$ (1,623,146)	\$ (946,711)	\$ (4,340,537)	\$ (3,670,453)
Net loss from discontinued operations	–	16,649	–	(8,446,258)
Net loss	\$ (1,623,146)	\$ (930,062)	\$ (4,340,537)	\$ (12,116,711)
Opening number of shares	130,480,926	104,515,222	130,480,926	104,515,222
Effect of shares issued (Note 11)	34,034,296	–	22,374,275	–
Basic and diluted weighted average number of shares	164,515,222	104,515,222	152,855,201	104,515,222
Basic and diluted per share amounts:				
Net loss from continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.04)
Net loss from discontinued operations	–	–	–	(0.08)
Net loss	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.12)

For the three and nine months ended September 30, 2015 and 2014, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

**14. REMEDIATION EXPENSE:**

During the three and nine months ended September 30, 2014, the Company recognized \$325,762 of remediation expenses for its working interest share of the estimated cost to clean up pre-existing soil contamination identified during a recent environmental assessment performed by the Argentine provincial authorities.

**CROWN POINT ENERGY INC.**

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015

(Unaudited)

(United States dollars)

**15. IMPAIRMENT:**

During the three and nine months ended September 30, 2015, the Company recognized \$118,211 (three and nine months ended September 30, 2014 – \$24,000) of impairment on trade and other receivables.

**16. NET FINANCE EXPENSE:**

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest income	\$ 11,132	\$ 53,014	\$ 66,029	\$ 170,049
Fair value adjustment on short-term bonds (Note 4)	6,666	–	6,666	–
Financing fees and bank charges	(164,289)	(123,401)	(476,852)	(379,501)
Interest on bank debt (Note 10)	(110,836)	(123,541)	(455,632)	(377,763)
Accretion of decommissioning provision	(11,782)	(15,077)	(35,124)	(42,608)
	\$ (269,109)	\$ (209,005)	\$ (894,913)	\$ (629,823)

**17. OTHER INCOME (EXPENSES):**

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Export tax recovery (a)	\$ –	\$ –	\$ 64,313	\$ –
Petroleo Plus Program (b)	287,263	–	287,263	363,539
Oil Incentive Program (c)	70,451	–	70,451	–
Special meeting expenses (d)	–	–	(739,988)	–
Retirement allowances (e)	(576,960)	–	(576,960)	–
	\$ (219,246)	\$ –	\$ (894,921)	\$ 363,539

- (a) In November 2006, the TDF UTE filed a lawsuit against the Ministry of Economy and Production claiming certain export taxes were unconstitutional and for such export taxes to be reimbursed. In June 2014, after numerous appeals at various levels of court by both sides, the Supreme Court of Justice of the Nation ruled in favor of the UTE for the reimbursement of export duties plus accrued interest. The Company recognizes income for its share of the export tax recovery when proceeds are received.
- (b) 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 were transferrable and could be sold to other domestic oil exporters. The Company recognized income from the sale of Petroleo Plus Credits when proceeds are received. In June 2014, the Company received \$363,539 of proceeds. The Petroleo Plus Program was cancelled in late 2014.

As described in Note 4, in July 2015, the Government of Argentina issued a decree under which it began offering bonds to qualifying companies with outstanding certificates under the cancelled Petroleo Plus Program. The Company made a submission for approximately \$2.2 million of bonds with respect to its outstanding Petroleo Plus certificates and, in September 2015, the Company recognized \$287,263 of proceeds for bonds received for the same amount of Petroleo Plus certificates. There is no certainty that the Company will receive bonds for the remaining \$1.9 million of outstanding certificates.

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- (c) In February 2015, the Government of Argentina announced a new oil incentive program (the "Oil Incentive Program") under Resolution 14/2015 which replaces the Petroleo Plus Program. Under the Oil Incentive Program, companies that increase or maintain production at 95% of Q4 2014 volumes are eligible for a \$3.00 per bbl bonus payment on a formula-derived quantity of production. The Oil Incentive Program is in effect from January 1, 2015 to December 31, 2015 and may be extended by the Government for one year. The Company recognizes Oil Incentive Program income when proceeds are received.

During the three and nine months ended September 30, 2015, the Company collected \$70,451 of Oil Incentive bonus payments in respect of Q1 and Q2 2015 production volumes.

- (d) During the nine months ended September 30, 2015, the Company incurred \$739,988 of special meeting expenses in response to actions by a dissident shareholder, which resulted in the preparation of various documents in advance of the special meeting of shareholders held on February 24, 2015.
- (e) During the three and nine months ended September 30, 2015, two officers and a senior manager of the Company retired, and in connection with same, each was entitled to a retiring allowance pursuant to the terms of the related employment agreements in the aggregate amount of \$576,960.

**18. SUPPLEMENTAL CASH FLOW INFORMATION:**

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

For the nine months ended September 30	2015	2014
Trade and other receivables	\$ 563,049	\$ 397,669
Inventory	(243,270)	69,022
Prepaid expenses	(116,117)	574,558
Trade and other payables	(2,150,156)	469,747
Effect of change in exchange rates	75,494	17,055
	\$ (1,871,000)	\$ 1,528,051
Attributable to:		
Operating activities	\$ (667,481)	\$ 587,584
Investing activities	(1,203,519)	940,467
	\$ (1,871,000)	\$ 1,528,051

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

	September 30 2015	December 31 2014
Cash in bank	\$ 713,374	\$ 2,128,449
Short-term investments	925,189	2,525,404
	\$ 1,638,563	\$ 4,653,853

- (c) During the three and nine months ended September 30, 2015, the Company paid \$110,836 and \$455,632, respectively (three and nine months ended September 30, 2014 – \$123,541 and \$377,763, respectively) of interest expense on bank debt (Note 10).

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**19. 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.

## (a) Foreign currency denominated financial instruments held by the Company:

September 30, 2015	Balance denominated in		Total USD equivalents
	CAD	ARS	
Cash and cash equivalents	\$ 208,118	\$ 5,986,351	\$ 793,793
Trade and other receivables	\$ 14,429	\$ 6,893,730	\$ 745,343
Interest-bearing bonds	\$ –	\$ 1,661,887	\$ 177,075
Trade and other payables	\$ (241,016)	\$ (18,889,497)	\$ (2,193,283)
Bank debt	\$ –	\$ (25,133,330)	\$ (2,677,975)

  

As at December 31, 2014	Balance denominated in		Total USD equivalents
	CAD	ARS	
Cash and cash equivalents	\$ 788,826	\$ 16,575,469	\$ 2,638,851
Trade and other receivables	\$ 40,577	\$ 3,462,201	\$ 444,139
Interest-bearing bonds	\$ –	\$ 1,350,224	\$ 159,569
Trade and other payables	\$ (733,736)	\$ (21,717,012)	\$ (3,199,017)
Bank debt	\$ –	\$ (40,183,333)	\$ (4,748,908)

## (b) Currency devaluation

Currency devaluation in Argentina impacts the cost of ARS denominated items which are translated to the USD functional currency of the Argentine subsidiaries. A portion of TDF operating costs and general and administrative expenses incurred in Argentina are denominated in ARS. During the nine months ended September 30, 2015, the devaluation of ARS resulted in lower TDF operating costs and general and administrative expenses incurred in Argentina by approximately 5% (nine months ended September 30, 2014 – 12%).

As at September 30, 2015, the devaluation of ARS since the previous year end date resulted in a reduction in the USD equivalent of ARS denominated foreign currency denominated financial instruments, excluding bank debt, by approximately \$28,000 (December 31, 2014 – \$800,000).

As at September 30, 2015, the devaluation of ARS since the previous year end date resulted in a reduction in the USD equivalent of ARS denominated bank debt by \$347,674 (December 31, 2014 – \$938,620).

## (c) 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 September 30, 2015:

Market risk	Change in exchange rates	Nine months ended September 30 2015
Foreign exchange - effect of strengthening USD:		
CAD denominated financial assets and liabilities	5%	\$ 690
ARS denominated financial assets and liabilities	5%	\$ 156,540

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### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 20. COMMITMENTS:

The Company's commitments are disclosed in Note 23 to the Company's December 31, 2014 audited consolidated financial statements. There have been no significant changes to the Company's commitments during the nine months ended September 30, 2015 except as described below:

##### Cerro de Los Leones Concession

The Cerro de Los Leones Concession Permit (the "Permit") confers upon its holders the exclusive right to explore for hydrocarbons during three successive exploration periods lasting three, two and one year(s), respectively. Fifty percent of the acreage of the Permit shall be relinquished at the end of each of the first two exploration periods or converted into an exploitation concession or evaluation block.

Effective April 27, 2015, the Company entered into an agreement (the "Agreement") with the Province of Mendoza government to transfer unused work units from the first exploration period ("Period 1") to the second period ("Period 2") and thus extend the concession to May 2017 with an option to extend Period 2, at the Company's request, for one additional year to May 2018.

Pursuant to the Agreement, the Company relinquished certain acreage which had been either sterilized because of environmental considerations or had restricted/prohibited access due to the presence of the European Space Agency's Deep Space 3 antenna on the Permit, or deemed non-prospective by the Company. The relinquishments reduced the acreage of the Permit to the current figure of approximately 100,907 acres and reduced the remaining outstanding Period 1 work units to approximately 780, thereby reducing the remaining Period 1 expenditure commitment to approximately \$3.9 million, which was transferred to Period 2. As a result, Period 2 commitments increased from \$750,000 to \$4.6 million plus one exploration well which must be incurred by May 2017 or, at the Company's request, May 2018. Should the Company fail to complete its work commitments within the specified time period, it must surrender the concession exploration lands.

The following provides details of the work commitments required to be completed during each of the exploration periods as recently amended:

<u>Period</u>	<u>Term of Exploration Period</u>	<u>Required Work Commitment</u> <sup>(1)</sup>
Period 1	3 years commencing May 21, 2012	Approximately \$3.9 million transferred to Period 2
Period 2	2 years commencing May 21, 2015	A minimum of approximately \$4.6 million <sup>(2)</sup> in expenditures plus a minimum of 1 exploration well at an estimated cost of \$2.5 million
Period 3	1 year commencing upon expiry of Period 2	1 exploration well at an estimated cost of \$2.5 million

<sup>(1)</sup> The required work commitments are expressed as work units in the Permit. Each work unit has an approximate dollar value of \$5,000, however, other factors may be considered when determining whether work units have been satisfied.

<sup>(2)</sup> \$750,000 plus \$3.9 million transferred from Period 1.

#### 21. SUBSEQUENT EVENTS:

- (a) On October 14, 2015, the \$1,055,000 GIC provided to HSBC Argentina as security for the development loan facility obtained in November 2013 (Note 10(a)) was decreased by \$255,000 to \$800,000.
- (b) On October 22, 2015 the Company signed an amendment to the ARS 50,000,000 loan facility with HSBC Argentina (Note 10(c)) pursuant to which the remaining ARS 40,500,000 (\$4.3 million) loan facility may be drawn in two tranches on or before December 15, 2015. On October 23, 2015, the Company drew ARS 9,500,000 (\$1 million) of proceeds under this loan facility, at which time the Company provided the lender security in the form of a USD denominated \$500,000 letter of credit held as a GIC with a major Canadian



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financial institution. The ARS 9,500,000 loan principal is repayable in 24 monthly installments commencing October 23, 2016.

**22. SEGMENTED INFORMATION:**

The Company's reportable segments are organized by activity type and geographical area. Activity types are (1) the acquisition, exploration and development of oil and gas properties in Argentina and (2) Canadian and Argentine corporate operations. Within Argentina, the Company has two operating segments: the Tierra del Fuego area ("TDF") and E&E Concessions ("E&E"), which includes areas under exploration and evaluation. The El Valle area was sold on June 30, 2014 and is presented as discontinued operations elsewhere in these consolidated financial statements. The concessions in TDF are joint operations.

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

	Canada <sup>(1)</sup>	Argentina					Total
		TDF	E&E	El Valle <sup>(2)</sup>	Corporate	Total	
<b>September 30, 2015</b>	\$	\$	\$	\$	\$	\$	\$
Exploration and evaluation assets	-	-	15,616,753	-	-	15,616,753	15,616,753
Property and equipment	258,729	31,718,797	-	-	234,093	31,952,890	32,211,619
Total assets	2,894,585	34,700,608	15,616,753	-	3,619,844	53,937,205	56,831,790
Total liabilities	(180,593)	(5,877,815)	(772,287)	-	(710,367)	(7,360,469)	(7,541,062)
<b>Three months ended September 30, 2015</b>							
Revenue <sup>(3)</sup>	11,132	3,447,010	-	-	-	3,447,010	3,458,142
Petroleo Plus Credits	-	287,263	-	-	-	287,263	287,263
Net income (loss) from continuing operations	(825,673)	20,539	-	-	(818,012)	(797,473)	(1,623,146)
Net income (loss)	(825,673)	20,539	-	-	(818,012)	(797,473)	(1,623,146)
<b>Nine months ended September 30, 2015</b>							
Revenue <sup>(3)</sup>	66,029	11,376,759	-	-	-	11,376,759	11,442,788
Petroleo Plus Credits	-	287,263	-	-	-	287,263	287,263
Net income (loss) from continuing operations	(2,495,645)	569,845	-	-	(2,414,737)	(1,844,892)	(4,340,537)
Net income (loss)	(2,495,645)	569,845	-	-	(2,414,737)	(1,844,892)	(4,340,537)
<b>December 31, 2014</b>							
Exploration and evaluation assets	-	-	14,828,994	-	-	14,828,994	14,828,994
Property and equipment	323,359	28,472,761	-	-	267,104	28,739,865	29,063,224
Total assets	6,371,642	31,783,862	14,828,994	-	4,584,814	51,197,670	57,569,312
Total liabilities	(632,480)	(9,129,628)	(546,525)	-	(1,565,006)	(11,241,159)	(11,873,639)
<b>Three months ended September 30, 2014</b>							
Revenue <sup>(3)</sup>	53,014	3,982,151	-	-	-	3,982,151	4,035,165
Petroleo Plus Credits	-	-	-	-	-	-	-
Net income (loss) from continuing operations	(666,728)	756,199	-	-	(1,036,182)	(279,983)	(946,711)
Net loss from discontinued operations	-	-	-	16,649	-	16,649	16,649
Net income (loss)	(666,728)	756,199	-	16,649	(1,036,182)	(263,334)	(930,062)
<b>Nine months ended September 30, 2014</b>							
Revenue <sup>(3)</sup>	170,049	10,693,832	-	-	-	10,693,832	10,863,881
Petroleo Plus Credits	-	363,539	-	-	-	363,539	363,539
Net income (loss) from continuing operations	(2,333,721)	1,937,614	-	-	(3,274,346)	(1,336,732)	(3,670,453)
Net loss from discontinued operations	-	-	-	(8,446,258)	-	(8,446,258)	(8,446,258)
Net income (loss)	(2,333,721)	1,937,614	-	(8,446,258)	(3,274,346)	(9,782,990)	(12,116,711)

<sup>(1)</sup> Canada is comprised of corporate assets only. <sup>(2)</sup> Discontinued operations. <sup>(3)</sup> Represents interest income in Canada and oil and gas revenue in Argentina.