CROWN POINT ENERGY INC.
Condensed Interim Consolidated Financial Statements

For the three and the nine months ended September 30, 2017
(Unaudited)

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

As at		September 30 2017		December 31 2016
Assets				
Current assets:				
Cash and cash equivalents	$	2,015,265	$	521,185
Short-term bonds (Note 4)		1,890,446		-
Trade and other receivables (Note 5)		2,164,734		2,434,057
Inventory		393,539		305,028
Prepaid expenses		648,408		779,018
Deposits (Note 10)		345,000		595,000
		7,457,392		4,634,288
Exploration and evaluation assets (Note 6)		8,556,005		6,336,658
Property and equipment (Note 7)		21,679,503		26,442,251
Other non-current assets (Note 8)		793,561		910,006
Deposits (Note 10)		-		700,000
	$	38,486,461	$	39,023,203
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables	$	2,130,569	$	2,308,536
Current portion of bank debt (Note 10)		2,074,340		1,948,878
Current portion of decommissioning provision (Note 11)		183,379		182,195
		4,388,288		4,439,609
Bank debt (Note 10)		22,446		427,761
Decommissioning provision (Note 11)		3,906,634		3,818,155
Deferred tax liability (Note 15)		2,443,000		1,784,000
		10,760,368		10,469,525
Shareholders' equity:				
Share capital		116,003,355		116,003,355
Contributed surplus		6,887,166		6,887,166
Accumulated other comprehensive loss		(18,054,635)		(18,028,606)
Deficit		(77,109,793)		(76,308,237)
		27,726,093		28,553,678
	$	38,486,461	$	39,023,203

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

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

	For the three months ended September 30 2017	2016	For the nine months ended September 30 2017	2016
Revenue				
Oil and gas	$ 3,072,252	$ 2,993,957	$ 9,854,676	$ 10,448,351
Royalties	(588,141)	(562,618)	(1,816,627)	(1,909,121)
	2,484,111	2,431,339	8,038,049	8,539,230
Expenses				
Operating	1,264,815	1,171,814	3,975,934	3,840,552
General and administrative	742,016	759,860	2,134,614	2,295,180
Depletion and depreciation	1,295,317	1,565,236	4,190,191	5,035,328
Share-based payments	-	-	-	30,226
Foreign exchange (gain) loss	(7,978)	11,167	6,183	(111,451)
	3,294,170	3,508,077	10,306,922	11,089,835
Results from operating activities	(810,059)	(1,076,738)	(2,268,873)	(2,550,605)
Net finance expense (Note 13)	(148,923)	(186,539)	(552,581)	(625,573)
Other income (expenses) (Note 14)	2,905,545	(126,591)	2,970,222	(87,815)
Income (loss) before taxes	1,946,563	(1,389,868)	148,768	(3,263,993)
Tax (expense) recovery (Note 15)	(1,142,324)	25,000	(950,324)	(1,274,000)
Net income (loss)	804,239	(1,364,868)	(801,556)	(4,537,993)
Exchange differences on translation of the Canadian parent company	(17,816)	(22,124)	(26,029)	114,530
Comprehensive income (loss)	$ 786,423	$ (1,386,992)	$ (827,585)	$ (4,423,463)
Net income (loss) per share (Note 16)	$ 0.00	$ (0.01)	$ (0.00)	$ (0.03)

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		2017		2016
Share capital				
Balance, January 1 and September 30	$	116,003,355	$	116,003,355
Contributed surplus				
Balance, January 1		6,887,166		6,854,813
Share-based payments		-		32,353
Balance, September 30		6,887,166		6,887,166
Accumulated other comprehensive loss				
Balance, January 1		(18,028,606)		(18,122,491)
Exchange differences on translation of Canadian parent company		(26,029)		114,530
Balance, September 30		(18,054,635)		(18,007,961)
Deficit				
Balance, January 1		(76,308,237)		(66,565,586)
Net loss		(801,556)		(4,537,993)
Balance, September 30		(77,109,793)		(71,103,579)
Total shareholders' equity	$	27,726,093	$	33,778,981

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

For the nine months ended September 30		2017		2016
Operating:				
Net loss	$	49,444	$	(4,537,993)
Items not affecting cash:				
Depletion and depreciation		4,190,191		5,035,328
Share-based payments		-		30,226
Unrealized foreign exchange gain		(232,178)		(163,678)
Accretion of decommissioning provision (Note 11)		69,318		46,073
Finance expense (Note 13)		315,805		387,034
Other income (Note 14)		(1,871,045)		(38,776)
Deferred tax recovery (expense) (Note 15)		(192,000)		1,274,000
		2,329,535		2,032,214
Decomissioning expenditures (Note 11)		(25,119)		-
Change in non-cash working capital (Note 17)		136,457		(913,114)
Operating cash flows		2,440,873		1,119,100
Financing:				
Bank debt proceeds		1,134,246		709,300
Bank debt repayment		(1,189,562)		(945,791)
Proceeds from return of deposits		950,000		535,000
Interest expense (Note 13)		(329,675)		(383,563)
Financing cash flows		565,009		(85,054)
Investing:				
Sale of short-term bonds (Note 4)		624,800		304,201
Purchase of short-term bonds (Note 4)		(627,000)		-
Exploration and evaluation - expenditures		(2,178,901)		(961,850)
Property and equipment - expenditures		(480,172)		(1,308,688)
Property and equipment - VAT recoveries		998,244		1,161,852
Property and equipment - proceeds from disposition		19,734		-
Change in other non-current assets		19,558		(201,518)
Change in non-cash working capital (Note 17)		6,804		(625,254)
Investing cash flows		(1,616,933)		(1,631,257)
Change in cash and cash equivalents		1,388,949		(597,211)
Foreign exchange effect on cash held in foreign currencies		105,131		18,177
Cash and cash equivalents, January 1		521,185		1,053,847
Cash and cash equivalents, September 30	$	2,015,265	$	474,813
Cash and cash equivalents are comprised of:				
Cash in bank	$	2,015,265	$	473,775
Short-term investments		-		1,038
	$	2,015,265	$	474,813

See accompanying notes to condensed interim consolidated financial statements.

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 2400, 525 – 8th Avenue SW, Calgary, Alberta, T2P 1G1.

These 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, 2017, the Company incurred a net loss of approximately $801,556. As at September 30, 2017, the Company has working capital of approximately $3.1 million and significant future capital commitments (Note 20) to develop its properties. In October 2017, the Company issued 164,515,222 common shares for cash proceeds of $4.1 million (Note 21(a)).

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 there from 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 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.

2. BASIS OF PRESENTATION:

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, including International Accounting Standard 34 – Interim Financial Reporting. The Company has consistently applied the same accounting policies throughout all periods presented (see 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, 2016.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CanAmericas (Argentina) Energy Ltd. and Crown Point Energía S.A. (previously Antrim Argentina S.A.).

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 17, 2017.

3. CHANGES IN ACCOUNTING STANDARDS:

(a) Changes in accounting standards

On January 1, 2017, the Company adopted amendments to *IAS 7 Statement of Cash Flows*. The adoption of these amendments had no impact on the amounts recorded in the condensed interim consolidated financial statements for the three and nine months ended September 30, 2017.

(b) New and amended standards not yet adopted

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

IFRS 2 Share-based Payment

In June 2016, the International Accounting Standards Board ("IASB") issued amendments to IFRS 2 Share-based Payment to clarify the accounting requirements related to classification and measurement of share-based payment transactions. The amendments are effective for annual periods beginning on or after January 1, 2018.

(United States dollars)

The Company does not expect the amendments to *IFRS 2* to have a significant impact on its consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of *IFRS 9 Financial Instruments* which replaces *IAS 39 Financial Instruments: Recognition and Measurement*. *IFRS 9* introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets and introduces a new expected credit loss model for calculating impairment of financial assets. For financial liabilities where the fair value option is applied, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The Company anticipates that adoption of *IFRS 9* will result in changes to the classification of the Company's financial assets but will not change the classification of the Company's financial liabilities or result in material changes in the carrying values of the Company's financial instruments. *IFRS 9* also contains a new model to be used for hedge accounting for risk management contracts, however, the Company does not currently have any risk management contracts. *IFRS 9* is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15 Revenue from Contracts with Customers* which replaces *IAS 18 Revenue*. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The Company has chosen to use the modified retrospective approach for adoption for annual periods beginning on or after January 1, 2018. The Company has completed a preliminary analysis of all revenue streams and underlying contracts with customers. Based on the Company's preliminary analysis there is not expected to be a material impact to the timing or amounts recorded as revenue under the new standard. Disclosures may be enhanced based on new requirements.

IFRS 16 Leases

In January 2016, the IASB issued *IFRS 16 Leases* which replaces the previous leases standard, *IAS 17 Leases*. *IFRS 16* eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. *IFRS 16* is effective for periods beginning on or after January 1, 2019. The Company is assessing the impact of *IFRS 16* on its consolidated financial statements and it is anticipated that *IFRS 16* will have an impact on the consolidated statement of financial position, however the magnitude of the impact is yet to be determined.

4. SHORT-TERM BONDS:

BONAR 2020		Notional Value		Carrying Amount
Principal received	$	1,646,156	$	1,874,376
Disposition		(550,000)		(626,251)
Purchase		550,000		627,000
Change in fair value		–		15,321
Balance, September 30, 2017	$	1,646,156	$	1,890,446

On July 11, 2017, the Company received publicly-traded BONAR 2020 bonds with a notional value of $1,646,156 as proceeds for $1.9 million of outstanding certificates under the cancelled Petróleo Plus Program. The BONAR 2020 bonds have an 8% coupon rate, are denominated and settled in USD and mature in October 2020. The Company recorded the bonds at their fair value of $1,874,376.

(United States dollars)

On July 13, 2017, the Company sold BONAR 2020 bonds with a notional value of $550,000 for net proceeds of $624,800 to Banco de Servicios y Transacciones S.A. (“BST”) and recognized a $1,451 loss (Note 13). On August 17, 2017, the Company repurchased BONAR 2020 bonds with a notional value of $550,000 from BST for $627,000. The Company and BST share a common director, Pablo Peralta, who also controls significant shareholdings in both companies.

As at September 30, 2017, the Company holds $1,646,156 notional value of BONAR 2020 bonds with a fair value of $1,890,446 based on the September 30, 2017 quoted market price of the bonds. During the three and nine months ended September 30, 2017, the Company recognized a $15,321 fair value adjustment (Note 13).

The bonds have been classified as current assets based on the Company’s intention to sell the bonds within the next twelve months.

5. TRADE AND OTHER RECEIVABLES:

The Company’s trade and other receivables consist of:

	September 30 2017	December 31 2016
Due from Argentine companies	$ 2,367,876	$ 2,627,711
Other receivables	46,662	56,150
Impairment	(249,804)	(249,804)
Total trade and other receivables	$ 2,164,734	$ 2,434,057

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

	September 30 2017	December 31 2016
Not past due (less than 90 days)	$ 2,116,117	$ 2,385,514
Past due (more than 90 days)	48,617	48,543
Total trade and other receivables	$ 2,164,734	$ 2,434,057

6. EXPLORATION AND EVALUATION ASSETS (‘‘E&E’’):

Carrying amount, December 31, 2016	$ 6,336,658
Additions	2,178,901
Decommissioning additions (Note 11)	40,446
Carrying amount, September 30, 2017	$ 8,556,005

Capitalized amounts:

The amounts capitalized as exploration and evaluation assets in Argentina during the nine months ended September 30, 2017 include $nil of general and administrative costs and $nil of share-based compensation (nine months ended September 30, 2016 – $187,959 and $1,379 respectively).

(United States dollars)

7. PROPERTY AND EQUIPMENT:

	Argentina		Canada	
	Development and Production Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$
Balance at December 31, 2016	50,283,118	661,656	261,518	51,206,292
Additions	450,474	29,698	–	480,172
VAT recoveries	(998,244)	-–	–	(998,244)
Disposition (Note 14(d))	–	(340,116)	–	(340,116)
Decommissioning revisions (Note 11)	5,018	–	–	5,018
Effect of change in exchange rates	–	–	21,523	21,523
Balance at September 30, 2017	49,740,366	351,238	283,041	50,374,645
Accumulated depletion and depreciation:				
Balance at December 31, 2016	23,972,120	537,428	254,493	24,764,041
Depletion and depreciation	4,178,820	46,656	1,645	4,227,121
Disposition (Note 14(d))	–	(317,051)	–	(317,051)
Effect of change in exchange rates	–	–	21,031	21,031
Balance at September 30, 2017	28,150,940	267,033	277,169	28,695,142
Net carrying amount:				
At December 31, 2016	26,310,998	124,228	7,025	26,442,251
At September 30, 2017	21,589,426	84,205	5,872	21,679,503

Capitalized amounts:

The amounts capitalized as D&P assets in Argentina during the nine months ended September 30, 2017 include $nil of general and administrative costs and $nil of share-based compensation (nine months ended September 30, 2016 – $154,477 and $748, respectively).

Future development costs:

The September 30, 2017 depletion expense calculation included $22.2 million (December 31, 2016 – $22.6 million) for estimated future development costs associated with proved and probable reserves in Argentina.

8. OTHER NON-CURRENT ASSETS:

	September 30 2017	December 31 2016
Interest-bearing bonds	$ 32,809	$ 72,522
Long-term receivables	787,180	881,397
	819,989	953,919
Current portion of interest-bearing bonds included in trade and other receivables	(26,428)	(43,913)
Total non-current assets	$ 793,561	$ 910,006

(United States dollars)

9. VALUE ADDED TAX:

		September 30 2017		December 31 2016
Included in prepaid expenses	$	9,507	$	64,303
Included in E&E assets (Note 6)		1,879,270		1,517,404
Included in property and equipment (Note 7)		477,864		1,476,108
	$	2,366,641	$	3,057,815

10. BANK DEBT:

		September 30 2017		December 31 2016
Loan facility (a)	$	516,284	$	1,031,661
Loan facility (b)		–		444,978
Loan facility (c)		900,000		900,000
Loan facility (d)		680,502		–
		2,096,786		2,376,639
Current portion of bank debt		(2,074,340)		(1,948,878)
Long-term portion of bank debt	$	22,446	$	427,761

(a) The Company has an ARS denominated loan facility with HSBC Argentina which bears interest at 19%, calculated and paid monthly commencing on the date the amounts are drawn.

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 September 30, 2015, at which time the Company provided the lender security in the form of a $350,000 US denominated letter of credit held as a GIC with a major Canadian financial institution. The loan principal is repayable in 24 monthly installments commencing August 17, 2016.

On October 23, 2015, the Company drew an additional ARS 9,500,000 ($997,941) of proceeds under this loan facility, at which time the Company provided the lender security in the form of a USD denominated $350,000 letter of credit held as a GIC with a major Canadian financial institution. The ARS 9,500,000 loan principal is repayable in 24 monthly installments commencing November 23, 2016.

In April 2017 and July 2017, $250,000 and $105,000 of the USD denominated letters of credit, respectively, were released to the Company, leaving an aggregate balance of $345,000 in USD denominated letters of credit remaining as of September 30, 2017.

As at September 30, 2017, the balance owing under this loan facility was ARS 9,104,166 ($516,284) (December 31, 2016 – ARS 16,229,167 ($1,031,661)).

(b) As at December 31, 2016, the Company had an ARS 7,000,000 ($444,978) loan facility with HSBC Argentina secured by a $480,000 USD denominated letter of credit held as a GIC with a major Canadian financial institution, at an interest rate of 25.5% per annum, calculated and paid monthly commencing on December 5, 2016 and repayable in one installment on March 5, 2017. On March 6, 2017, the Company renewed the loan facility at an interest rate of 25% per annum, calculated and paid monthly commencing on March 6, 2017 and repayable in one installment on June 6, 2017. On June 6, 2017, the Company renewed the loan facility at an interest rate of 26%, per annum, calculated and paid monthly commencing on June 6, 2017 and repayable in one installment on August 4, 2017.

On July 20, 2017, the Company repaid the ARS 7,000,000 loan facility with HSBC Argentina. The related $480,000 USD denominated letter of credit held as loan security was released to the Company and received on August 4, 2017.

(c) On December 26, 2016, the Company obtained a $900,000 loan facility with Banco Industrial. The loan is denominated in USD, unsecured, bears interest at 9.5%, calculated and paid monthly commencing on January 26, 2017 and is repayable in one installment on December 26, 2017.

(d) On April 28, 2017, the Company obtained an ARS 12,000,000 ($778,800) unsecured loan facility with Banco Columbia at an annual interest rate of 31.5%, calculated and paid at maturity. The loan matured and was repaid in one installment on October 25, 2017. As at September 30, 2017, the balance owing under this loan facility was ARS 12,000,000 ($680,502).

(e) On July 4, 2017, the Company obtained an ARS 6,000,000 ($355,910) unsecured loan facility with Trend Capital S.A. at an interest rate of 35% per annum. The loan was repaid on August 1, 2017.

11. DECOMMISSIONING PROVISION:

A reconciliation of the decommissioning provision is provided below:

Balance, December 31, 2016	$	4,000,350
Accretion		69,318
Additions		40,446
Expenditures		(25,119)
Change in estimates		5,018
Balance, September 30, 2017		4,090,013
Current portion of decommissioning provision		(183,379)
Long-term portion of decommissioning provision	$	3,906,634

12. SHARE-BASED PAYMENTS:

Stock option activity for the nine months ended September 30, 2017 is summarized as follows:

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2016	3,645,000	$ 0.61
Expired	(1,967,500)	(0.68)
Balance, September 30, 2017	1,677,500	$ 0.52
Balance exercisable, September 30, 2017	1,677,500	$ 0.52

Stock options outstanding and exercisable at September 30, 2017 are as follows:

Expiry date	Weighted Average Exercise Price (CAD)	Outstanding	Exercisable
October 25, 2017	$ 0.46	95,000	95,000
January 11, 2018	0.54	112,500	112,500
January 31, 2018	0.37	910,000	910,000
May 1, 2018	0.26	100,000	100,000
May 9, 2019	0.87	460,000	460,000
	$ 0.52	1,677,500	1,677,500

(United States dollars)

13. NET FINANCE EXPENSE:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Interest income	$ 68,904	$ 6,100	$ 86,313	$ 27,340
Fair value adjustment on short-term bonds (Note 4)	13,870	–	13,870	(3,471)
Financing fees and bank charges	(101,482)	(69,614)	(253,771)	(219,806)
Interest on bank debt (Note 10)	(106,633)	(109,796)	(329,675)	(383,563)
Accretion of decommissioning provision (Note 11)	(23,582)	(13,229)	(69,318)	(46,073)
	$ (148,923)	$ (186,539)	$ (552,581)	$ (625,573)

14. OTHER INCOME (EXPENSES):

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Oil Incentive Program (a)	$ –	$ –	$ 55,413	$ –
Petróleo Plus Program (b)	1,874,376	–	1,874,376	–
New Gas Incentive Program (c)	1,043,764	–	1,043,764	–
Loss on disposition of property and equipment (d)	(12,595)	–	(3,331)	–
Recovery of impaired receivable	–	–	–	38,776
Rights offering expenses (e)	–	(126,591)	–	(126,591)
	$ 2,905,545	$ (126,591)	$ 2,970,222	$ (87,815)

(a) In February 2015, the Government of Argentina announced a new oil incentive program (the "Oil Incentive Program") under Resolution 14/2015 which replaces the Petróleo Plus Program. Under the Oil Incentive Program, companies that increase or maintain production at 95% of fourth quarter 2014 volumes are eligible for a $3.00 per barrel bonus payment on a formula-derived quantity of production. The Oil Incentive Program was in effect from January 1, 2015 to December 31, 2015. The Company recognizes Oil Incentive Program income when proceeds are received due to uncertainty of the timing of collection. During the nine months ended September 30, 2017, the Company collected $55,413 of Oil Incentive bonus payments in respect of third and fourth quarter 2015 production volumes.

(b) In November 2016, the Government of Argentina issued a decree under which it began offering bonds to qualifying companies with outstanding certificates under the cancelled Petróleo Plus Program. The Company made a submission for approximately $1.9 million of bonds with respect to the remainder of its outstanding Petróleo Plus certificates. On July 11, 2017, the Company received $1,874,376 of publicly-traded BONAR 2020 bonds (Note 4) as proceeds for the outstanding Petróleo Plus certificates. The Company recognizes Petróleo Plus Program income when proceeds are received due to uncertainty of the timing of collection.

(c) During the three and nine months ended September 30, 2017, the Company received a total of ARS 18,379,312 ($1,043,764) of cash proceeds under the New Gas Incentive Program related to applications for the period from January 1 to September 30, 2016. The Company recognizes New Gas Incentive Program income when proceeds are received due to uncertainty of the timing of collection.

(d) During the three and nine months ended September 30, 2017, the Company sold property and equipment with a net carrying amount of $12,595 and $23,065 respectively, for proceeds of $nil and $19,734, respectively.

(e) In September 2016, the Company expensed $126,591 of costs in respect of a rights offering for which the minimum condition was not met.

(United States dollars)

15. TAX (EXPENSE) RECOVERY

During the nine months ended September 30, 2017, the Company recognized $950,324 of tax expense comprised of $291,324 of current tax and $659,000 of deferred tax (September 2016 period - $1,274,000 of deferred tax expense). Current tax expense is related to taxable income in Argentina in excess of Crown Point Energía S.A.'s non-capital loss pools available to reduce taxable income. Deferred tax expense is related to a decrease in the Company's ARS denominated tax pools combined with the effect of the devaluation of the ARS during the nine months ended September 30, 2017 (Note 19(b)) on the translation of ARS denominated tax pools to USD.

As at September 30, 2017, the Company's deferred tax liability was $2,443,000 (December 31, 2016 – $1,784,000).

16. PER SHARE AMOUNTS:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Net income (loss)	$ 804,239	$ (1,364,898)	$ (801,556)	$ (4,537,993)
Opening number of shares	164,515,222	164,515,222	164,515,222	164,515,222
Effect of shares issued	–	–	–	–
Basic and diluted weighted average number of shares	164,515,222	164,515,222	164,515,222	164,515,222
Basic and diluted net income (loss) per share	$ 0.00	$ (0.01)	$ (0.00)	$ (0.03)

For the three and nine months ended September 30, 2017 and 2016, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

17. SUPPLEMENTAL CASH FLOW INFORMATION:

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

For the nine months ended September 30	2017	2016
Trade and other receivables	$ 269,323	$ (487,681)
Inventory	(51,581)	150,478
Prepaid expenses	130,610	(52,585)
Trade and other payables	(177,967)	(1,139,301)
Effect of change in exchange rates	(27,124)	(9,279)
	$ 143,261	$ (1,538,368)
Attributable to:		
Operating activities	$ 136,457	$ (913,114)
Investing activities	6,804	(625,254)
	$ 143,261	$ (1,538,368)

(b) During the three and nine months ended September 30, 2017, the Company paid $106,633 and $329,675, respectively (three and nine months ended September 30, 2016 – $109,796 and $383,563) of interest expense on bank debt (Note 10 and 13).

18. RELATED PARTY TRANSACTIONS:

(a) During the three and nine months ended September 30, 2017, the Tierra del Fuego UTE (of which the Company is a member) sold a portion of natural gas production to Energía y Soluciones S.A., a company controlled by Gabriel Obrador, who is a director of the Company and the majority shareholder of GORC S.A., a shareholder of the Company until August 2017, for which the Company recognized $88,124 (ARS 1,539,407) and $288,097 (ARS 5,259,167) (three and nine months ended September 30, 2016 $125,797 (ARS 1,896,896) and $289,477 (ARS 2,952,105), respectively, of oil and gas revenue for its working interest share. Included in trade and other receivables as at September 30, 2017 is $28,974 (ARS 499,967) (December 31, 2016 – $96,419 (ARS 1,516,737)) in respect of this revenue.

(b) During the three and nine months ended September 30, 2017, the Company sold BONAR 2020 bonds with a notional value of $550,000 to BST for net proceeds of $624,800 repurchased BONAR 2020 bonds with a notional value of $550,000 from BST for $627,000 (Note 13).

Transactions with related parties are conducted and recorded at the exchange amount.

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:

As at September 30, 2017	Balance denominated in		Total USD
	CAD	ARS	equivalents
Cash and cash equivalents	$ 177,557	$ 32,563,441	$ 1,989,829
Trade and other receivables	$ 10,870	$ 9,802,485	$ 564,648
Interest-bearing bonds	$ –	$ 112,518	$ 6,381
Trade and other payables	$ (283,680)	$ (30,150,117)	$ (1,938,446)
Bank debt	$ –	$ (21,104,166)	$ (1,196,786)

As at December 31, 2016	Balance denominated in		Total USD
	CAD	ARS	equivalents
Cash and cash equivalents	$ 27,053	$ 7,557,193	$ 500,612
Trade and other receivables	$ 18,314	$ 14,065,412	$ 907,756
Interest-bearing bonds	$ –	$ 450,074	$ 28,609
Trade and other payables	$ (460,795)	$ (24,596,982)	$ (1,906,789)
Bank debt	$ –	$ (23,229,167)	$ (1,476,639)

(b) Currency appreciation and devaluation:

Exchange rates as at:	September 30 2017 (1)	December 31 2016 (2)
CAD to USD	0.8061	0.7448
ARS to USD	0.0567	0.0636
USD to ARS	17.6340	15.7311

(1) Source Canadian Forex Exchange
(2) Source Bank of Canada

Currency appreciation and 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 Tierra del Fuego ("TDF") concession operating costs and general and administrative expenses incurred in Argentina are denominated in

(United States dollars)

ARS. During the nine months ended September 30, 2017, 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, 2016 – devaluation of ARS; lower by approximately 8%).

During the nine months ended September 30, 2017, the devaluation of ARS since the previous year end date resulted in a decrease in the USD equivalent of ARS denominated foreign currency denominated financial instruments, excluding bank debt, by approximately $34,000 (nine months ended September 30, 2016 – devaluation of ARS; reduction by approximately $113,000).

During the nine months ended September 30, 2017, the devaluation of ARS since the previous year end date resulted in a decrease in the USD equivalent of ARS denominated bank debt by $224,537 (nine months ended September 30, 2016 – devaluation of ARS; reduction by approximately $396,345) (Note 10).

(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, 2017:

Market risk	Change in exchange rates		Nine months ended September 30 2017
Foreign exchange - effect of strengthening USD:			
CAD denominated financial assets and liabilities	5%	$	3,840
ARS denominated financial assets and liabilities	5%	$	24,880

20. COMMITMENTS:

(a) TDF Concessions

The Company has a 25.78% working interest in the TDF area of Argentina covering approximately 489,000 acres (126,000 net acres) in the Austral Basin and includes the Las Violetas, La Angostura and Rio Cullen Exploitation Concessions. The Company's share of expenditure commitments with respect to the concessions are as follows:

Concession	Term of Expenditure Period	Required Expenditure Commitment
Las Violetas	Over the remaining life of the concession which expires in August 2026	18 [2] gross wells with a minimum of $12.1 million of exploration and development investment. As of September 30, 2017, the Company had drilled 15 [2] gross wells and fulfilled the minimum $12.1 million investment.
Rio Cullen	Until December 31, 2016 [1]	A minimum of $0.85 million of exploration investment including seismic and drilling, all of which has been spent.
La Angostura	Until December 31, 2016 [1]	A minimum of $0.98 million of exploration investment including seismic and drilling, all of which has been spent.

[1] The Company has fulfilled the Rio Cullen and La Angostura concession expenditure commitments and exercised the option to extend the term of each concession to August 2026 by making the minimum cash payment to the Province of TDF. For each concession, the cash payment is a minimum of $32,500 to a maximum of $1.29 million (net to the Company's interest) and the investment commitment is a minimum of $0.46 million to a maximum of $9.28 million (net to the Company's interest). The investment commitment for exploration and development work will be determined on a sliding scale based on a proved plus probable reserves range discovered during the initial exploration period of between zero and greater than 18 million BOE. The total cash payment and investment commitment have not yet been determined by the Province of TDF and the Company has not yet received formal approval of the concession extensions.

[2] The 18 gross well drilling commitment is an aggregate commitment for all three concessions. As at September 30, 2017, the Company had drilled a total of 15 gross wells comprised of 13 gross wells on the Las Violetas concession, 1 gross well on the Rio Cullen concession and 1 gross well on the La Angostura concession.

(United States dollars)

(b) 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.

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

Period	Term of Exploration Period	Required Work Commitment (1)
Period 1	Expired	Transferred to Period 2
Period 2	Extended to January 22, 2018 (2) (3)	A minimum of approximately $4.6 million in expenditures plus a minimum of 1 exploration well at an estimated cost of $2.5 million, none of which has been spent as of September 30, 2017
Period 3	1 year commencing upon expiry of Period 2	1 exploration well at an estimated cost of $2.5 million

(1) 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.

(2) On March 21, 2017, the Company received formal approval to extend the Period 2 exploration period which was to expire on May 21, 2017. The Mendoza provincial government formally agreed to extend the deadline to acquire seismic until January 22, 2018 and informally agreed to extend the commitment to drill one exploration well for an unspecified period following the acquisition of seismic.

(3) Should the Company fail to complete its work commitments within the specified time period, it must surrender the concession exploration lands and will be obligated to make a payment equal to the value of the Company's outstanding Period 2 work commitments.

(c) Laguna de Piedra Concession

Although the Company has no current plans to develop its 100% interest in the Laguna de Piedra Concession, the Company will have the following work commitments in the event that the necessary environmental work permits are received:

Term of Exploration Period	Required Work Commitment
(1) 2 years commencing upon the receipt of environmental permits	A minimum of approximately $2.85 million in expenditures including 1 exploration well
(2) 1 year commencing upon expiry of preceding term	A minimum of approximately $1.75 million in expenditures including 1 exploration well

21. SUBSEQUENT EVENTS:

(a) On October 23, 2017, the Company completed a rights offering whereby the Company issued 164,515,222 common shares for gross proceeds of $4.1 million (CAD $5.2 million). Liminar Energía S.A. ("Liminar"), the Company's largest shareholder, acquired an aggregate of 107,178,151 common shares issued in connection with the rights offering. As at October 23, 2017, Liminar owned approximately 50.8% of the Company's issued and outstanding common shares.

(b) On October 25, 2017, the Company repaid the ARS 12,000,000 ($685,518) unsecured loan facility with Banco Columbia (Note 10(d)).

(c) On October 30, 2017, the Company received publicly-traded BONAR 2020 bonds with a notional value of $482,755 as proceeds under the New Gas Incentive Program for applications in the amount of ARS 7,449,879 for the period from August 9, 2014 to December 31, 2015. The Company recognizes New Gas Incentive Program income when proceeds are received due to uncertainty of the timing of collection.