CROWN POINT ENERGY INC.
Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019
(Unaudited)

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

As at		September 30 2019		December 31 2018
Assets				
Current assets:				
Cash	$	19,314,719	$	2,194,072
Trade and other receivables (Note 5)		3,512,999		12,029,153
Oil inventory		784,423		-
Prepaid expenses and other current assets (Note 6)		2,287,677		2,121,612
Current portion of contingent consideration receivable (Note 9(b))		1,310,846		-
		27,210,664		16,344,837
Exploration and evaluation assets		9,849,382		9,032,994
Property and equipment (Note 7)		30,716,811		54,750,958
Contingent consideration receivable (Note 9(b))		1,966,122		-
Other non-current assets		1,760		3,268
Goodwill		1,735,549		4,996,568
	$	71,480,288	$	85,128,625
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables	$	3,185,777	$	8,299,835
Current taxes payable		5,229,609		5,406,520
Bank debt (Note 8)		-		1,700,000
Current portion of contingent consideration liability (Note 9(a))		2,341,700		2,321,930
Current portion of decommissioning provision (Note 10)		183,105		179,544
Current portion of lease liability (Note 11)		170,649		-
		11,110,840		17,907,829
Contingent consideration liability (Note 9(a))		2,961,309		4,744,616
Decommissioning provision (Note 10)		4,866,186		6,834,757
Lease liability (Note 11)		795,137		-
Deferred tax liability (Note 14)		6,048,227		7,329,504
		25,781,699		36,816,706
Shareholders' equity:				
Share capital (Note 16)		56,755,215		131,745,215
Contributed surplus		13,350,913		6,887,166
Accumulated other comprehensive loss		(18,348,198)		(18,432,797)
Deficit		(6,059,341)		(71,887,665)
		45,698,589		48,311,919
	$	71,480,288	$	85,128,625

Subsequent events (Note 22)

Approved on behalf of the Board of Directors:

"Gordon Kettleson"
Gordon Kettleson, Director

"Pablo Peralta"
Pablo Peralta, Director

See accompanying notes to condensed interim consolidated financial statements.

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		For the nine months ended September 30	
	2019	2018	2019	2018
				Restated (Note 21)
Revenue				
Oil and natural gas sales (Note 12)	$ 9,595,656	$ 16,560,691	$ 35,357,653	$ 29,260,963
Processing (adjustment) income	(157,778)	-	486,542	-
Export tax	(534,373)	(50,956)	(2,425,017)	(50,956)
Royalties	(1,553,440)	(2,876,855)	(5,439,758)	(4,905,888)
	7,350,065	13,632,880	27,979,420	24,304,119
Expenses				
Operating	2,622,115	3,046,104	8,863,008	6,503,978
General and administrative	878,484	536,591	2,923,827	1,660,101
Depletion and depreciation	2,003,044	4,173,456	7,539,383	7,748,646
Allowance for credit losses (Note 5)	190,702	-	190,702	-
Transaction costs	-	124,063	-	153,405
Share-based payments (Note 17)	83,177	-	383,237	-
Fair value adjustment of contingent consideration (Note 9)	(153,366)	839,777	(438,151)	839,777
Foreign exchange (gain) loss	123,765	(317,485)	(845,241)	(834,462)
	5,747,921	8,402,506	18,616,765	16,071,445
Operating income	1,602,144	5,230,374	9,362,655	8,232,674
Net finance expense (Note 13)	(98,716)	(349,754)	(715,934)	(829,517)
Loss on disposition of participating interest (Note 4)	-	-	(1,717,662)	-
Income before taxes	1,503,428	4,880,620	6,929,059	7,403,157
Tax expense (Note 14)	(1,823,316)	(806,010)	(7,458,619)	(4,004,450)
Net income (loss) for the period	(319,888)	4,074,610	(529,560)	3,398,707
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translation of the Canadian parent company	73,095	273,663	84,599	(152,033)
Total comprehensive income for the period	$ (246,793)	$ 4,348,273	$ (444,961)	$ 3,246,674
Net income (loss) per share (Note 18)	$ (0.00)	$ 0.06	$ (0.01)	$ 0.07

See accompanying notes to these condensed interim consolidated financial statements.

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

For the nine months ended September 30		2019		2018
				Restated (Note 21)
Share capital				
Balance, January 1	$	131,745,215	$	119,982,644
Issuance of share capital, net of costs		-		11,762,571
Reduction of stated capital (Note 16)		(74,990,000)		-
Balance, September 30		56,755,215		131,745,215
Contributed surplus				
Balance, January 1		6,887,166		6,887,166
Reduction of stated capital (Note 16)		6,080,510		-
Share-based payments (Note 17)		383,237		-
Balance, September 30		13,350,913		6,887,166
Accumulated other comprehensive loss				
Balance, January 1		(18,432,797)		(18,266,601)
Exchange differences on translation of Canadian parent company		84,599		(152,033)
Balance, September 30		(18,348,198)		(18,418,634)
Deficit				
Balance, January 1		(71,887,665)		(77,853,502)
Net income (loss) for the period		(529,560)		3,398,707
Reduction of stated capital (Note 16)		68,909,490		-
Dividends declared and paid (Note 16)		(2,551,606)		-
Balance, September 30		(6,059,341)		(74,454,795)
Total shareholders' equity	$	45,698,589	$	45,758,952

See accompanying notes to these 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		2019		2018
				Restated (Note 21)
Operating activities:				
Net income (loss) for the period	$	(529,560)	$	3,398,707
Items not affecting cash:				
Depletion and depreciation		7,539,383		7,748,646
Allowance for credit losses (Note 5)		190,702		-
Share-based payments		383,237		-
Fair value adjustment of contingent consideration (Note 9)		(438,151)		839,777
Unrealized foreign exchange gain		723,446		24,749
Finance expense (Note 13)		194,203		290,047
Loss on disposition of participating interest (Note 4)		1,717,662		-
Tax (recovery) expense (Note 14)		(1,281,277)		1,613,600
Decommissioning expenditures		-		(20,980)
Funds flow from operating activities		8,499,645		13,894,546
Change in non-cash working capital (Note 19)		4,932,617		27,418
Net cash from operating activities		13,432,262		13,921,964
Financing activities:				
Bank debt proceeds		-		14,313,694
Bank debt repayment (Note 8)		(1,700,000)		(10,968,726)
Proceeds from return of deposits		-		215,000
Proceeds from share issuance, net of costs		-		11,762,571
Lease payments (Note 11)		(139,046)		-
Interest expense (Note 13)		(3,069)		(199,446)
Dividend payment (Note 16)		(2,551,606)		-
Net cash provided by (used in) financing activities		(4,393,721)		15,123,093
Investing activities:				
Exploration and evaluation expenditures		(816,388)		(3,483,692)
Property and equipment expenditures (Note 7)		(4,961,951)		(5,721,720)
Proceeds for disposition of participating interest (Note 4)		17,536,795		-
Acquisition of St. Patrick Oil & Gas S.A.		-		(21,744,683)
Settlement of contingent liability (Note 9)		(894,122)		-
Collection of contingent receivable (Note 9)		123,881		-
Change in other non-current assets		377		(55,930)
Change in non-cash working capital (Note 19)		(2,272,463)		2,197,540
Net cash provided by (used in) investing activities		8,716,129		(28,808,485)
Change in cash		17,754,670		236,572
Foreign exchange effect on cash held in foreign currencies		(634,023)		(338,818)
Cash, January 1		2,194,072		720,649
Cash, September 30	$	19,314,719	$	618,403

See accompanying notes to these condensed interim consolidated financial statements.

1. REPORTING ENTITY:

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

The Company's registered office is Suite 2400, 525 – 8th Avenue SW, Calgary, Alberta, T2P 1G1.

As at September 30, 2019, Liminar Energía S.A. ("Liminar"), the Company's largest shareholder, owned approximately 59.5% of the Company's issued and outstanding common shares.

2. BASIS OF PRESENTATION:

The unaudited condensed interim 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, applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented except as noted in Note 3 for changes and impact of new accounting policies adopted effective January 1, 2019. 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, 2018.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CanAmericas (Argentina) Energy Ltd., Crown Point Energía S.A. and St. Patrick Oil & Gas S.A. ("St. Patrick").

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 15, 2019.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES:

IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective approach which does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

On adoption of IFRS 16, the Company's lease liabilities related to contracts classified as leases are measured at the discounted present value of the remaining minimum lease payments, excluding short-term and low-value leases. The right-of -use assets recognized were measured at amounts equal to the present value of the lease obligations. The weighted average incremental borrowing rate used to determine the lease liability at adoption was approximately 8%. The right-of-use assets and lease liability recognized relate to certain office premises and equipment in Argentina. The Company elected not to apply lease accounting to certain leases for which the lease term ends within 12 months of the date of initial application and leases of low dollar value assets.

The cumulative effect of initially applying IFRS 16 was recognized as $1,439,525 for right-of-use assets (Note 7) with a corresponding amount to lease liabilities (Note 11).

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with similar characteristics;
- Accounting for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Accounting for lease payments as an expense and not recognizing a right-of-use asset if the underlying asset is of low dollar value; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective January 1, 2019:

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

4. DISPOSITION OF PARTICIPATING INTEREST:

Pursuant to the Joint Operating and Union Transitoria de Empresas Agreement governing the TDF Concessions (the "UTE Agreement"), the Company's and St. Patrick's partners in the TDF Concessions (each an "UTE Partner") had a right of first refusal ("ROFR") to acquire St. Patrick's participating interest in the TDF Concessions ("Participating Interest"). One of the UTE Partners disputed the validity of the ROFR notices issued by St. Patrick and the Vendor to the UTE Partners and, among other things, commenced arbitration proceedings against St. Patrick and the Vendor under the UTE Agreement in order to have an arbitration tribunal consider and rule on the dispute.

In December 2018, the arbitration tribunal ordered St. Patrick and the Vendor to comply with the provisions of the UTE Agreement that grant the ROFR to acquire St. Patrick's Participating Interest in the TDF Concessions to the other UTE Partners. All of St. Patrick's UTE Partners exercised their ROFRs to acquire their proportionate share of St. Patrick's Participating Interest in the TDF Concessions (the "ROFR Sale").

On April 26, 2019, St. Patrick completed the ROFR Sale of a 16.83% participating interest (representing 65.27% of STP's Participating Interest) in the TDF Concessions to its UTE Partners for $17.5 million of cash consideration ($13.5 million plus a $4 million income tax gross-up). The UTE Partners will also make future payments to St. Patrick equal to their proportionate share of contingent royalty payments that accrue following closing of the ROFR Sale, which contingent consideration has an estimated fair value of $3.8 million (Note 9(b)). As a result of the disposition, the Company's collective participating interest in the TDF Concessions decreased from 51.56% to 34.73%.

(United States dollars)

The Company recognized a $1.7 million loss on disposition of a participating interest pursuant to the ROFR Sale as summarized in the following table:

Consideration		
Cash	$	17,536,795
Contingent consideration receivable (Note 9)		3,832,113
Total consideration		21,368,908
Carrying amount of net assets sold:		
Property and equipment (Note 7)		22,647,922
Goodwill		3,261,019
Working capital		(294,886)
Decommissioning liability (Note 10)		(2,124,650)
Lease liabilities (Note 11)		(402,835)
Net carrying amount		23,086,570
Loss on disposition of participating interest	$	(1,717,662)

5. TRADE AND OTHER RECEIVABLES:

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

Three major purchasers that represent 100% of oil revenue reported in the nine months ended September 30, 2019 comprise $847,531 of accounts receivable at September 30, 2019 (December 31, 2018 – $5,761,907) and five major purchasers that represent 78% of natural gas revenue reported in the nine months ended September 30, 2019 comprise $2,813,118 of accounts receivable at September 30, 2019 (December 31, 2018 – $1,821,186) (Note 12).

The Company's maximum exposure to credit risk at September 30, 2019 and December 31, 2018 in respect of trade and other receivables consists of:

		September 30 2019		December 31 2018
Due from Argentine companies	$	3,078,455	$	6,403,669
Due from an international company		847,531		5,761,907
Other receivables		48,069		133,931
Allowance for credit losses		(461,056)		(270,354)
Total trade and other receivables	$	3,512,999	$	12,029,153

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

		September 30 2019		December 31 2018
Not past due (less than 90 days)	$	2,457,127	$	10,032,806
Past due (more than 90 days)		1,516,928		2,266,701
		3,974,055		12,299,507
Allowance for credit losses		(461,056)		(270,354)
Total trade and other receivables	$	3,512,999	$	12,029,153

(United States dollars)

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

	September 30 2019	December 31 2018
Prepaid expenses	$ 1,122,256	$ 988,244
Value Added Tax	1,165,421	1,133,368
	$ 2,287,677	$ 2,121,612

7. PROPERTY AND EQUIPMENT:

	Argentina			Canada	
	Development and Production Assets	Right-of-Use Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$	$
Balance, December 31, 2018	95,624,372	–	427,987	273,330	96,325,689
Additions	4,860,758	1,439,525	93,054	8,139	6,401,476
Disposition of participating interest (Note 4)	(26,791,982)	(413,287)	(23,091)	–	(27,228,360)
Decommissioning revisions (Note 10)	36,648	–	–	–	36,648
Effect of change in exchange rates	–	–	–	8,326	8,326
Balance, September 30, 2019	73,729,796	1,026,238	497,950	289,795	75,543,779
Accumulated depletion and depreciation:					
Balance, December 31, 2018	40,977,688	–	338,255	258,788	41,574,731
Depletion and depreciation	7,660,026	118,128	41,510	5,184	7,824,848
Disposition of participating interest (Note 4)	(4,556,593)	(17,220)	(6,625)	–	(4,580,438)
Effect of change in exchange rates	–	–	–	7,827	7,827
Balance, September 30, 2019	44,081,121	100,908	373,140	271,799	44,826,968
Net carrying amount:					
At December 31, 2018	54,646,684	–	89,732	14,542	54,750,958
At September 30, 2019	29,648,675	925,330	124,810	17,996	30,716,811

Right-of-use assets:

The Company recognizes right-of-use assets and corresponding lease liabilities (Note 11) related to certain office premises and equipment in Argentina. Right-of-use assets are depreciated on a straight-line basis over the 10-year term of the related leases.

Future development costs:

The depletion expense calculation for the nine months ended September 30, 2019 included $16.9 million (December 31, 2018 – $29.8 million) for estimated future development costs associated with proved and probable reserves in Argentina.

(United States dollars)

8. BANK DEBT:

A continuity of the Company's bank debt is as follows:

Balance, December 31, 2018	$	1,700,000
Repayment		(1,700,000)
Balance, September 30, 2019	$	–

On December 7, 2018, the Company obtained a $1.7 million loan facility from Banco Macro secured by certain of the Company's accounts receivable to a maximum of $1.7 million applied against the loan when collected. The loan bore interest at a rate of 6.75% per annum, calculated and paid monthly, and was repayable on or before February 5, 2019. The loan was repaid on January 10, 2019.

9. CONTINGENT CONSIDERATION (LIABILITY) RECEIVABLE:

A reconciliation of the contingent consideration (liability) receivable as at September 30, 2019 is as follows:

		Liability (a)		Receivable (b)		Net
Balance, December 31, 2018	$	(7,066,546)	$	–	$	(7,066,546)
Disposition of participating interest (Note 4)		–		3,832,113		3,832,113
Cash settlement /(collection)		894,122		(123,881)		770,241
Fair value adjustment		869,415		(431,264)		438,151
Balance, September 30, 2019	$	(5,303,009)	$	3,276,968	$	(2,026,041)
Current portion		2,341,700		(1,310,846)		1,030,854
Long-term portion	$	(2,961,309)	$	1,966,122	$	(995,187)

The fair value of contingent consideration as at September 30, 2019 was estimated using the Black-Scholes pricing model based on net revenue volatility of 66% to 77% and a risk-free rate of 1.55% to 1.75%, over a term of 7.25 years.

(a) Contingent consideration liability

As part of the consideration for the acquisition of St. Patrick in June 2018, the Company will make quarterly payments to the vendor until December 31, 2027 equal to 10% of the amount by which net revenue (oil and gas revenue less provincial royalties) received by St. Patrick from its Participating Interest in the TDF Concessions for the quarter exceeds certain base net revenue thresholds for such quarter. If in any quarter the net revenues received by St. Patrick do not exceed the base net revenue threshold for that quarter, then no royalty payment will be payable.

As at September 30, 2019, the estimated fair value of the contingent consideration liability was $5,303,009 (December 31, 2018 – $7,066,546).

(b) Contingent consideration receivable

As part of the consideration for the disposition of a participating interest in the TDF Concessions pursuant to the ROFR Sale (Note 4), the UTE Partners will make future payments to St. Patrick equal to their proportionate share of contingent royalty payments that accrue following closing of the ROFR Sale on April 26, 2019. The fair value of the UTE Partners' proportionate share of contingent consideration on April 26, 2019 was estimated to be $3.8 million using the Black-Scholes pricing model based on net revenue volatility of 66% to 77% and a risk-free rate of 2.24% to 2.51%, over a term of 7.7 years.

As at September 30, 2019, the estimated fair value of the contingent consideration receivable was $3,276,968 (December 31, 2018 – $nil).

(United States dollars)

10. DECOMMISSIONING PROVISION:

A reconciliation of the decommissioning provision is provided below:

Balance, December 31, 2018	$	7,014,301
Additions		36,648
Disposition of participating interest (Note 4)		(2,124,650)
Accretion		122,992
Balance, September 30, 2019		5,049,291
Current portion of decommissioning provision		(183,105)
Long-term portion of decommissioning provision	$	4,866,186

11. LEASE LIABILITIES:

The Company incurs lease payments related to certain office premises and equipment in Argentina. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets.

Balance, December 31, 2018	$	–
Lease liability for right-of-use assets (Note 7)		1,439,525
Disposition of participating interest (Note 4)		(402,835)
Interest		68,142
Payments		(139,046)
Balance, September 30, 2019		965,786
Current portion of lease liabilities		(170,649)
Long-term lease liabilities	$	795,137

Total expected payments under lease agreements for office and equipment are $14,315 per month ($171,780 per year) until December 31, 2026.

12. OIL AND NATURAL GAS SALES:

The following table represents the Company’s oil and natural gas sales disaggregated by commodity:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Oil	$ 7,705,140	$ 11,896,232	26,916,486	19,546,130
Natural gas liquids	9,792	16,156	52,053	67,065
Natural gas	1,880,724	4,648,303	8,389,114	9,647,768
	$ 9,595,656	$ 16,560,691	35,357,653	29,260,963

All of the Company’s revenue from oil sales earned in the three and nine months ended September 30, 2019 and 2018 was for export sales to three purchasers, of which $847,531 was in accounts receivable at September 30, 2019 (December 31, 2018 – $5,761,907).

All of the Company’s revenue from natural gas sales earned in the three and nine months ended September 30, 2019 and 2018 was for domestic sales, of which 78% was to five major purchasers (2018 – 74% was to four major purchasers), of which $2,813,118 was in accounts receivable at September 30, 2019 (December 31, 2018 – $2,654,566).

(United States dollars)

The following table represents the Company's oil and natural gas sales disaggregated by market:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Export	$ 7,705,140	$ 11,896,232	$ 26,916,486	$ 19,546,130
Domestic	1,890,516	4,664,459	8,441,167	9,714,833
	$ 9,595,656	$ 16,560,691	$ 35,357,653	$ 29,260,963

13. NET FINANCE EXPENSE:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Interest income	$ 71,729	$ 2,350	$ 223,290	$ 12,030
Financing fees and bank charges	(163,569)	(136,937)	(793,021)	(412,328)
Interest on bank debt (Note 8)	–	(135,997)	(3,069)	(199,446)
Loan guarantee fees (Note 15)	48,000	(34,340)	48,000	(139,172)
Accretion of decommissioning provision (Note 10)	(35,235)	(44,830)	(122,992)	(90,601)
Interest on lease liabilities (Note 11)	(19,641)	–	(68,142)	–
	$ (98,716)	$ (349,754)	$ (715,934)	$ (829,517)

14. TAXES:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Current tax expense	$ 2,100,172	$ (70,390)	$ 8,739,896	$ 2,390,850
Deferred tax provision (recovery)	(276,856)	876,400	(1,281,277)	1,613,600
	$ 1,823,316	$ 806,010	$ 7,458,619	$ 4,004,450

Current tax expense is related to taxable income in Argentina in excess of Crown Point Energía S.A.'s and St. Patrick's non-capital loss pools available to reduce taxable income. The deferred tax provision (recovery) is related to increases/decreases in the Company's ARS denominated tax pools combined with the effect of a reduction in the tax rate applied to certain temporary tax differences and the devaluation of the ARS during the period on the translation of ARS denominated tax pools to USD.

(United States dollars)

15. RELATED PARTY TRANSACTIONS:

During the three and nine months ended September 30, 2019, 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, for which the Company recognized $nil and $65,272 (ARS 2,654,686) (three and nine months ended September 30, 2018 – $100,937 (ARS 3,425,351) and $183,316 (ARS 5,416,555)), respectively of oil and gas revenue for its working interest share. Included in trade and other receivables as at September 30, 2019 is $nil (December 31, 2018 – $23,045 (ARS 864,431)) in respect of this revenue.

Messrs. Pablo Peralta and Roberto Domínguez have personally guaranteed the Company's payment obligations under certain loans (collectively, the "Loans"). Mr. Peralta is a director of the Company and is the President and a director of Liminar and controls 30% of the voting shares of Liminar. Mr. Domínguez controls approximately 30% of the voting shares of Liminar. In consideration for the provision of the guarantee of the Loans, the Company has agreed to pay to Messrs. Peralta and Domínguez an annual fee during the term of the Loans equal to 1% of the principal amount outstanding under the Loans on the date of such payment and annually thereafter on the anniversary date of the first payment. During the three and nine months ended September 30, 2019, the Company recognized a $48,000 recovery of prior year loan guarantee fees due to the absence of Loans on the anniversary date of the first payment. During the three and nine months ended September 30, 2018, the Company recognized $31,000 and $135,832, respectively, of loan guarantee fees, of which $104,382 was paid on July 27, 2018.

On September 20, 2018, the Company paid a $3,340 loan guarantee fee to ST Inversiones S.A. in relation to the guarantee of another bank loan. Messrs. Peralta and Domínguez jointly control 100% of the voting shares of ST Inversiones S.A.

During the three and nine months ended September 30, 2018, the Company paid $30,342 of interest to CMS de Argentina S.A.in respect of a working capital loan. Messrs Peralta and Dominguez jointly control 66% of the voting shares of CMS de Argentina S.A.

During the three and nine months ended September 30, 2019, the Company was charged $103,839 and $163,839 by Liminar for legal advisory services pursuant to a services agreement with an effective date of April 1, 2019. Included in trade and other payables as at September 30, 2019 is $24,200 payable to Liminar.

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

16. SHARE CAPITAL:

	Number of common shares		Amount
Balance, December 31, 2018	72,903,038	$	131,745,215
Reduction of stated capital	–		(74,990,000)
Balance, September 30, 2019	72,903,038	$	56,755,215

Reduction of stated capital:

On May 28, 2019, the Company’s shareholders approved a special resolution for the reduction of the stated capital account maintained in respect of the Company’s common shares by $74,990,000 (CAD 100,000,000) on April 1, 2019. The reduction of the stated capital of the Company’s common shares was offset by the elimination of the Company’s April 1, 2019 deficit in the amount of $68,909,490 and a $6,080,510 increase to contributed surplus.

Dividends:

On June 7, 2019, the Company declared a quarterly cash dividend on common shares of $0.01 per share ($729,030) for the three months ended June 30, 2019. The dividend was paid on July 15, 2019.

On August 16, 2019, the Company declared a quarterly cash dividend on common shares of $0.01 per share and a special cash dividend on common shares of $0.015 per share, for a total cash dividend of $0.025 per share ($1,822,576). The quarterly dividend and special dividend were paid on September 30, 2019.

(United States dollars)

17. SHARE-BASED PAYMENTS:

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2018	41,000	$ 8.70
Expired	(41,000)	(8.70)
Granted	2,175,000	0.75
Balance, September 30, 2019	2,175,000	$ 0.75
Balance exercisable, September 30, 2019	725,000	$ 0.75

On April 3, 2019, the Company granted 2,175,000 stock options to officers and directors. The stock options are exercisable at $0.75 per share until April 3, 2024 and vest one-third on the grant date and one-third on the first and second anniversaries of the grant date.

The grant date fair value of the stock options was estimated to be $661,500 using the Black-Scholes pricing model based on the following assumptions:

Grant date share price	CAD 0.56	Expected dividend	$0.01 (CAD 0.01)
Exercise price	CAD 0.75	Risk-free interest rate	1.57%
Expected volatility (1)	127%	Forfeiture rate	0%
Expected life	5 years	Fair value per option	$0.30 (CAD 0.41)

(1) Based on historical market prices of the Company's common shares over the expected life of the stock options.

During the nine months ended September 30, 2019, the Company recognized $383,237 (nine months ended September 30, 2018 – $nil) of share-based payment expense. As at September 30, 2019, the balance of unvested share-based payments was $278,263.

18. PER SHARE AMOUNTS:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018 Restated (Note 21)
Net income (loss) for the period	$ (319,888)	$ 4,074,610	$ (529,560)	$ 3,398,707
Opening number of shares	72,903,038	32,903,038	72,903,038	32,903,038
Effect of shares issued	–	40,000,000	–	19,047,619
Basic and diluted weighted average number of shares	72,903,038	72,903,038	72,903,038	51,950,657
Basic and diluted net income per share	$ (0.00)	$ 0.06	$ (0.01)	$ 0.07

For the three and nine months ended September 30, 2019 and 2018, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

19. SUPPLEMENTAL CASH FLOW INFORMATION:

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

For the nine months ended September 30		2019		2018
Trade and other receivables	$	8,978,388	$	(1,294,857)
Inventory		(857,006)		19,923
Prepaid expenses and other current assets		(166,065)		700,628
Trade and other payables		(5,114,058)		2,267,349
Current taxes payable		(176,911)		522,765
Effect of change in exchange rates		(4,194)		9,150
	$	2,660,154	$	2,224,958
Attributable to:				
Operating activities	$	4,932,617		27,418
Investing activities		(2,272,463)	$	2,197,540
	$	2,660,154	$	2,224,958

(b) As at September 30, 2019, the Company held $19,314,719 (December 31, 2018 – $2,194,072) of cash in Canadian, United States and Argentine banks.

(c) During the three and nine months ended September 30, 2019, the Company paid $3,069 (three and nine months ended September 30, 2018 – $135,997 and $199,446, respectively) of interest expense on bank debt (Note 8).

(d) During the three and nine months ended September 30, 2019, the Company paid $4,632,159 (ARS 203,555,468) (three and nine months ended September 30, 2018 – $nil) to Argentine tax authorities related to 2018 income tax $2,155,551 (ARS 101,638,141) related to 2019 income tax.

20. FOREIGN CURRENCY EXCHANGE 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 is 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, 2019	Balance denominated in					Total USD equivalents
		CAD		ARS		
Cash	$	33,530	$	65,468,969	$	1,162,791
Trade and other receivables	$	7,991	$	46,341,199	$	767,551
Trade and other payables	$	(121,662)	$	(114,692,926)	$	(2,084,570)
Current taxes payable	$	–	$	(300,997,922)	$	(5,229,609)

As at December 31, 2018	Balance denominated in					Total USD equivalents
		CAD		ARS		
Cash	$	24,155	$	69,764,233	$	1,870,674
Trade and other receivables	$	10,217	$	53,841,131	$	1,437,532
Trade and other payables	$	(200,016)	$	(117,615,405)	$	(3,270,527)
Current taxes payable	$	–	$	(203,555,468)	$	(5,406,520)

(b) Currency devaluation:

Exchange rates (1) as at	September 30 2019	December 31 2018
CAD to USD	0.7551	0.7330
ARS to USD	0.0174	0.0266
USD to ARS	57.5565	37.6500

(1) Source Canadian Forex Exchange

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 Tierra del Fuego ("TDF") concession operating costs and general and administrative expenses incurred in Argentina are denominated in ARS. During the nine months ended September 30, 2019, the devaluation of ARS resulted in lower TDF operating costs and general and administrative expenses incurred in Argentina by approximately 23% (nine months ended September 30, 2018 – devaluation of ARS; lower by approximately 27%).

During the nine months ended September 30, 2019, 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 by approximately $2.3 million (nine months ended September 30, 2018 – devaluation of ARS; reduction by approximately $2.5 million).

(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, 2019:

Market risk	Change in exchange rates	Impact on net income (loss)
Foreign exchange - effect of strengthening USD:		
CAD denominated financial assets and liabilities	5%	$ 3,030
ARS denominated financial assets and liabilities	10%	$ 528,750

21. RESTATEMENT OF COMPARATIVE FIGURES:

During the audit of the Company's December 31 2018 consolidated financial statements, it was determined that the $4.4 million of withholding taxes paid to Argentine tax authorities pursuant to the provisions of the share purchase agreements entered into in connection with the June 7, 2018 acquisition of St. Patrick be treated as part of the cash consideration rather than expensed as transaction costs as reported in the June 30, 2018 unaudited condensed interim consolidated financial statements.

The treatment of the withholding taxes has been corrected retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The restatement had no impact on the comparative figures for the three months ended September 30, 2019. The effect of the restatement on the comparative figures for the nine months ended September 30, 2018 is summarized below:

(United States dollars)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the nine months ended September 30, 2018		Previously reported		Restatement		Restated
Transaction costs	$	4,586,312	$	(4,432,907)	$	153,405
Total expenses	$	20,504,352	$	(4,432,907)	$	16,071,445
Operating income	$	3,799,767	$	4,432,907	$	8,232,674
Income before taxes	$	2,970,250	$	4,432,907	$	7,403,157
Net income (loss) for the period	$	(1,034,200)	$	4,432,907	$	3,398,707
Net loss per share (Note 18)	$	(0.02)	$	0.11	$	0.07

Condensed Interim Consolidated Statement of Equity

For the nine months ended September 30, 2018		Previously reported		Restatement		Restated
Deficit						
Balance, beginning of period	$	(77,853,502)	$	–	$	(77,853,502)
Net income (loss)		(1,034,200)		4,432,907		3,398,707
Balance, end of period	$	(78,887,702)	$	4,432,907	$	(74,454,795)

Condensed Interim Consolidated Statement of Cash Flows

For the nine months ended September 30, 2018		Previously reported		Restatement		Restated
Funds flow from operating activities	$	9,461,639	$	4,432,907	$	13,894,546
Change in non-cash working capital		27,418		–		27,418
Net cash from operating activities		9,489,057		4,432,907		13,921,964
Net cash used in financing activities		15,123,093		–		15,123,093
Net cash used in investing activities		(24,375,578)		(4,432,907)		(28,808,485)
Change in cash	$	236,572	$	–	$	236,572

22. SUBSEQUENT EVENTS:

At a special meeting of shareholders held on October 30, 2019, the Company's shareholders voted in favour of a special resolution authorizing the board of directors of the Company to reduce the stated capital of the Company's common shares by up to $0.185 per share (up to approximately $13.5 million) to permit the Company to pay a special distribution ("Return of Capital") to the Company's shareholders.

On November 15, 2019, the board of directors approved a reduction of the stated capital of the Company's common shares by $0.185 per share for a Return of Capital of approximately $13.5 million. The Return of Capital is subject to any approvals required by the TSX Venture Exchange.

In light of the Return of Capital, the board of directors has determined not to declare a fourth quarter dividend on its common shares and to suspend the Company's quarterly dividend payment until further notice.