CROWN POINT ENERGY INC.
Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

“Brian Moss”	*“Marisa Tormakh”*
Brian Moss President and Chief Executive Officer	Marisa Tormakh Vice President Finance and Chief Financial Officer

Calgary, Alberta
March 21, 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crown Point Energy, Inc.

We have audited the accompanying consolidated financial statements of Crown Point Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Crown Point Energy Inc. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company's ability to continue as a going concern is dependent upon the Company's ability to obtain additional financing to continue the development of the Company's properties and generate funds from operations to meet current and future obligations. These conditions, and others described in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants
March 21, 2018
Calgary, Canada

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31
(United States Dollars)

		2017		2016
Assets				
Current assets:				
Cash and cash equivalents	$	720,649	$	521,185
Trade and other receivables (Note 21)		1,490,466		2,434,057
Inventory		1,190,402		305,028
Prepaid expenses		1,269,962		779,018
Deposits (Note 10)		215,000		595,000
		4,886,479		4,634,288
Exploration and evaluation assets (Note 6)		6,013,387		6,336,658
Property and equipment (Note 7)		23,198,458		26,442,251
Other non-current assets (Note 8)		6,758,046		910,006
Deposits (Note 10)		-		700,000
	$	40,856,370	$	39,023,203
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables	$	3,207,910	$	2,308,536
Current portion of bank debt (Note 10)		812,208		1,948,878
Current portion of decommissioning provision (Note 11)		180,708		182,195
		4,200,826		4,439,609
Bank debt (Note 10)		-		427,761
Decommissioning provision (Note 11)		3,802,837		3,818,155
Deferred tax liability (Note 17)		2,103,000		1,784,000
		10,106,663		10,469,525
Shareholders’ equity:				
Share capital (Note 12)		119,982,644		116,003,355
Contributed surplus		6,887,166		6,887,166
Accumulated other comprehensive loss		(18,266,601)		(18,028,606)
Deficit		(77,853,502)		(76,308,237)
		30,749,707		28,553,678
	$	40,856,370	$	39,023,203

Reporting entity and going concern (Note 1)
Commitments (Note 22)
Proposed acquisition (Note 23)
Subsequent events (Note 24)

Approved on behalf of the Board of Directors:

“Gordon Kettleson”	*“Pablo Peralta”*
Gordon Kettleson, Director	Pablo Peralta, Director

See accompanying notes to consolidated financial statements.

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31
(United States Dollars)

		2017		2016
Revenue				
Oil and gas	$	12,986,821	$	14,015,458
Royalties		(2,406,192)		(2,568,354)
		10,580,629		11,447,104
Expenses				
Operating		5,277,470		5,351,505
General and administrative		3,067,698		3,217,320
Depletion and depreciation		5,452,231		6,695,716
Exploration and evaluation expense (Note 6)		-		2,527,270
Share-based payments (Note 13)		-		30,226
Foreign exchange gain		(27,102)		(119,795)
		13,770,297		17,702,242
Results from operating activities		(3,189,668)		(6,255,138)
Net finance expense (Note 15)		(566,143)		(902,866)
Other income (expenses) (Note 16)		3,341,777		(800,647)
Loss before taxes		(414,034)		(7,958,651)
Tax expense (Note 17)		(1,131,231)		(1,784,000)
Net loss		(1,545,265)		(9,742,651)
Exchange differences on translation of the Canadian parent company		(237,995)		93,885
Comprehensive loss	$	(1,783,260)	$	(9,648,766)
Net loss per share	$	(0.08)	$	(0.59)
Weighted average shares outstanding - basic and diluted (Note 14)		19,561,536		16,451,522

See accompanying notes to consolidated financial statements.

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31
(United States Dollars)

	2017	2016
Share capital		
Balance, January 1	$ 116,003,355	$ 116,003,355
Issuance of share capital, net of costs (Note 12)	3,979,289	-
Balance, December 31	119,982,644	116,003,355
Contributed surplus		
Balance, January 1	6,887,166	6,854,813
Share-based payments (Note 13)	-	32,353
Balance, December 31	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	(237,995)	93,885
Balance, December 31	(18,266,601)	(18,028,606)
Deficit		
Balance, January 1	(76,308,237)	(66,565,586)
Net loss	(1,545,265)	(9,742,651)
Balance, December 31	(77,853,502)	(76,308,237)
Total shareholders' equity	$ 30,749,707	$ 28,553,678

See accompanying notes to consolidated financial statements.

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN CASH FLOWS
For the years ended December 31
(United States Dollars)

	2017	2016
Operating:		
Net loss	$ (1,545,265)	$ (9,742,651)
Items not affecting cash:		
Depletion and depreciation	5,452,231	6,695,716
Exploration and evaluation expense	-	2,527,270
Share-based payments	-	30,226
Unrealized foreign exchange gain	(390,973)	(155,659)
Finance expense (Note 15)	481,273	621,034
Other income (Note 16)	(2,372,147)	120,108
Tax expense (Note 17)	319,000	1,784,000
Short-term bond proceeds (Note 5)	2,368,865	304,201
Decomissioning expenditures (Note 11)	(25,119)	-
	4,287,865	2,184,245
Change in non-cash working capital (Note 18)	445,458	(713,174)
Operating cash flows	4,733,323	1,471,071
Financing:		
Bank debt proceeds	1,134,246	2,589,946
Bank debt repayment	(2,446,907)	(2,180,109)
Proceeds from return of deposits	1,080,000	535,000
Proceeds from share issuance, net of costs	3,979,289	-
Interest expense (Note 15)	(387,198)	(561,070)
Financing cash flows	3,359,430	383,767
Investing:		
Exploration and evaluation - expenditures (Note 6)	(2,248,367)	(1,123,991)
Property and equipment - expenditures (Note 7)	(590,164)	(1,685,689)
Property and equipment - VAT recoveries (Note 7)	524,415	1,495,491
Property and equipment - proceeds from disposition (Note 16 (d))	26,347	-
Acquisition deposit (Note 8)	(6,750,000)	-
Change in other non-current assets	741,204	(148,701)
Change in non-cash working capital (Note 18)	319,331	(877,153)
Investing cash flows	(7,977,234)	(2,340,043)
Change in cash and cash equivalents	115,519	(485,205)
Foreign exchange effect on cash held in foreign currencies	83,945	(47,457)
Cash and cash equivalents, January 1	521,185	1,053,847
Cash and cash equivalents, December 31	$ 720,649	$ 521,185

See accompanying notes to 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 year ended December 31, 2017, the Company incurred a net loss of approximately $1.5 million. As at December 31, 2017, the Company has working capital of approximately $0.7 million and significant future capital commitments (Note 22) 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 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.

On November 21, 2017, the Company entered into acquisition agreements for the acquisition of all of the issued and outstanding shares of Apco Austral S.A. ("Apco Austral") for $28.4 million of cash consideration plus up to $9 million of contingent royalty payments during a ten-year period commencing on January 1, 2018 (Note 23).

On February 22, 2018, the Company announced the filing of a preliminary prospectus for a rights offering (and a commitment letter for debt financing (Note 24(b)).

As at December 31, 2017, Liminar Energía S.A. ("Liminar"), the Company's largest shareholder, owned approximately 50.8% of the Company's issued and outstanding common shares (Note 12(b)).

2. BASIS OF PRESENTATION:

(a) Statement of compliance

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

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 21, 2018.

(b) Basis of measurement

The consolidated financial statements have been prepared in accordance with IFRS on a historical cost basis.

(c) Functional and presentation currency

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

The functional currency of CanAmericas (Argentina) Energy Ltd. and Crown Point Energía S.A. ("Crown Point Energía") is the United States dollar ("USD"); the functional currency of the Company is the Canadian dollar ("CAD").

The presentation currency of the Company is the USD.

(d) Use of judgments and estimates

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

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

Critical accounting judgments

- Functional currency

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

- Cash-generating units

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

- Impairment

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

- Exploration and evaluation assets

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

- Current and deferred taxes

  Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, current and deferred taxes are subject to measurement uncertainty. Management uses judgment to assess deferred tax assets at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. For more information on the Company's deferred taxes, see Note 17.

- Contingencies

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

Key sources of estimation uncertainty

- Reserves

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

  The Company's reserves are evaluated and reported on by independent reserve engineers at least annually in accordance with Canadian Securities Administrators' National Instrument 51-101. Reserve

estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, commodity pricing and timing of future expenditures, all of which are subject to significant judgment and interpretation.

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

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

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

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

- Depletion and depreciation

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

- Decommissioning provision

  Amounts recorded for the Company's decommissioning provision require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third party information and calculations and are subject to change over time and may have a material impact on profit and loss or financial position. For more information on the Company's decommissioning provision, see Note 11.

- Deferred taxes

  Deferred taxes are based on estimates as to the timing of the reversal of temporary and taxable differences, substantively enacted tax rates and the likelihood of assets being realized. For more information on the Company's deferred taxes, see Note 17.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Consolidation

Subsidiaries

These consolidated financial statements include the accounts of the Company and its wholly owned Argentine subsidiaries, CanAmericas (Argentina) Energy Ltd. and Crown Point Energía.

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

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given,

equity instruments issued and liabilities incurred or assumed at the date of exchange.

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

Joint arrangements

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

Transactions eliminated on consolidation

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

(b) Foreign currency translation

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

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

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

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

(c) Cash and cash equivalents

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

(d) Inventory

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

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

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

Exploration and evaluation expenditures

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

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

projected cost of retiring the assets and any directly attributable general and administrative expenses. Interest and borrowing costs incurred on E&E assets are not capitalized.

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

Impairment

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

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

(f) Property and equipment

Development and production expenditures

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

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

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

Subsequent costs

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

Depletion and depreciation

The net book value of producing assets are depleted on a field-by-field basis using the unit of production method with reference to the ratio of production in the year to the related proved and probable reserves, taking into account

estimated future development costs necessary to bring those reserves into production. For purposes of these calculations, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

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

Impairment

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

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

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

(g) Value added tax

Value Added Tax ("VAT") on purchases is applied against VAT on sales to reduce the amount paid to the Argentine Government. VAT is included in prepaid expenses when amounts are expected to be offset with VAT on current sales. VAT is included in E&E assets and property and equipment when related sales have not yet commenced (E&E assets) or sales are lower than capital expenditures (property and equipment) and VAT amounts are not expected to be offset with VAT on sales within the next 12 months. VAT does not expire and may be carried forward indefinitely.

(h) Decommissioning provision

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

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

(i) Taxes

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

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

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

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

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

(j) Financial instruments

Non-derivative financial instruments

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

- Financial assets at fair value through profit or loss

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

- Other

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

Derivative financial instruments

The Company has not entered into any financial derivative contracts.

(k) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it

is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

(l) Share capital

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

(m) Share-based payments

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

(n) Per share amounts

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

(o) Revenue recognition

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

(p) Other income recognition

Due to uncertainty in the amount, timing and collection of proceeds for amounts applied for under various Argentine Government incentive programs, Petróleo Plus income is recognized when proceeds are received from the sale of Petróleo Plus credits or when government-issued bonds are received for Petróleo Plus certificates; New Gas Incentive Program income is recognized when proceeds, in the form of cash or government issued bonds, are received; and Oil Incentive Program income is recognized when proceeds, in the form of cash, are received.

(q) Short-term employee benefits

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

(r) Finance income and expenses

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

Interest income is recognized in earnings as it accrues using the effective interest method.

(s) 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 consolidated financial statements for the year ended December 31, 2017.

(t) 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. 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 an analysis of all revenue streams and underlying contracts with customers. Based on the Company's 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. DETERMINATION OF FAIR VALUES:

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

Financial instruments

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2017 and 2016, the fair value of these balances approximated their carrying amount due to their short term to maturity.

The fair value of short-term bonds is based on quoted market prices.

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

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1– Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash and cash equivalents and short-term bonds are Level 1 financial assets.

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

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

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

5. SHORT-TERM BONDS:

	2017		2016	
	Notional Value	Carrying Amount	Notional Value	Carrying Amount
Balance, beginning of year	$ –	$ –	$ 287,263	$ 307,672
Principal received	2,128,911	2,357,131	–	–
Purchase	550,000	627,000	–	–
Disposition	(2,678,911)	(2,984,131)	(287,263)	(307,672)
Balance, end of year	$ –	$ –	$ –	$ –

As at January 1, 2016, the Company held publicly-traded BONAD 2018 bonds and BONAR 2024 bonds with an aggregate fair value of $307,672 based on the January 1, 2016 quoted market price of each bond. The Company sold the BONAD 2018 and BONAR 2024 in February 2016 for net proceeds of $304,201 and recognized a loss of $3,471 (Note 16).

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.

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 16). On August 17, 2017, the Company repurchased these bonds from BST for $627,000. The Company and BST share a common director, Pablo Peralta, who also controls significant shareholdings in both companies.

On October 30, 2017, the Company received additional 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 production in the period from August 9, 2014 to December 31, 2015. The Company recognized the bonds at their fair value of $482,755.

In November and December 2017, the Company sold the remaining BONAR 2020 bonds with an aggregate notional value of $2,128,911 for net proceeds of $2,371,065 to third parties and recognized a $13,185 gain (Note 16).

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

		2017		2016
Carrying amount, beginning of year	$	6,336,658	$	7,731,691
Additions		2,248,367		1,125,370
Decommissioning changes (Note 11)		(3,072)		6,867
Transfer to D&P assets (Note 7)		(2,568,566)		–
E&E expense		–		(2,527,270)
Carrying amount, end of year	$	6,013,387	$	6,336,658

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

Capitalized amounts:

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

As at December 31, 2017, exploration and evaluation assets in Argentina include $1.5 million of Value Added Tax ("VAT") (2016 – $1.5 million). See Note 9.

E&E expense:

During 2016, the Company recognized $2,527,270 of E&E expense in relation to exploration expenditures on two wells in the Cerro Los Leones concession as the wells are not expected to be proven commercially viable or technically feasible without further significant capital investment.

Transfer to D&P assets:

During 2017, the Company transferred $2,568,566 of E&E assets to D&P assets upon the determination of proved and probable reserves in respect of the Rio Cullen and La Angostura concessions in the TDF area of Argentina. The assets were tested for impairment upon the transfer to D&P assets and were determined not to be impaired.

7. PROPERTY AND EQUIPMENT:

	Argentina		Canada	
	Development and Production Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$
Balance at December 31, 2015	49,394,986	573,574	607,464	50,576,024
Additions	1,598,355	88,082	–	1,686,437
VAT recoveries (Note 9)	(1,495,491)	–	–	(1,495,491)
Lease termination (Note 16(g))	–	–	(366,485)	(366,485)
Decommissioning changes (Note 11)	785,268	–	–	785,268
Effect of change in exchange rates	–	–	20,539	20,539
Balance at December 31, 2016	50,283,118	661,656	261,518	51,206,292
Additions	560,211	29,953	–	590,164
Transfer from E&E assets (Note 6)	2,568,566	–	–	2,568,566
VAT recoveries (Note 9)	(524,415)	–	–	(524,415)
Decommissioning changes (Note 11)	(82,689)	–	–	(82,689)
Disposition (Note 16(d))	–	(340,116)	–	(340,116)
Effect of change in exchange rates	–	–	17,766	17,766
Balance at December 31, 2017	52,804,791	351,493	279,284	53,435,568
Accumulated depletion and depreciation:				
Balance at December 31, 2015	17,590,236	363,522	372,184	18,325,942
Depletion and depreciation	6,381,884	173,906	50,296	6,606,086
Lease termination (Note 16(g))	–	–	(179,817)	(179,817)
Effect of change in exchange rates	–	–	11,830	11,830
Balance at December 31, 2016	23,972,120	537,428	254,493	24,764,041
Depletion and depreciation	5,709,745	60,813	2,204	5,772,762
Disposition (Note 16 (d))	–	(317,051)	–	(317,051)
Effect of change in exchange rates	–	–	17,358	17,358
Balance at December 31, 2017	29,681,865	281,190	274,055	30,237,110
Net carrying amount:				
At December 31, 2016	26,310,998	124,228	7,025	26,442,251
At December 31, 2017	23,122,926	70,303	5,229	23,198,458

Capitalized amounts:

The amounts capitalized as D&P assets in Argentina during December 31, 2017 include $nil of general and administrative costs and $nil of share-based compensation (2016 – $154,477 and $748, respectively).

As at December 31, 2017, D&P assets in Argentina include $1.0 million of VAT (2016 – $1.5 million). See Note 9.

Future development costs:

The depletion expense calculation for the year ended December 31, 2017 included $26.2 million (2016 – $22.6 million) for estimated future development costs associated with proved and probable reserves in Argentina.

8. OTHER NON-CURRENT ASSETS:

		2017		2016
Interest-bearing bonds	$	23,833	$	72,522
Long-term receivables		8,046		881,397
Acquisition deposit (a)		6,750,000		–
		6,781,879		953,919
Current portion of interest-bearing bonds included in trade and other receivables		(23,833)		(43,913)
Total non-current assets	$	6,758,046	$	910,006

(a) In November 2017, the Company announced that it had entered into agreements (the "Acquisition Agreements" with subsidiaries of Pluspetrol S.A. (collectively, "Pluspetrol") to acquire all of the issued and outstanding shares of Apco Austral S.A. ("Apco Austral") from Pluspetrol (Note 23). The Company paid a $6,750,000 deposit on the acquisition purchase price. The deposit will be non-refundable if the Acquisition Agreements are terminated in certain events, including if the Company does not perform in all material respects all of its obligations under the Acquisition Agreements, including if the Company does not pay the purchase price at closing or if the Company does not receive stock exchange approval to complete the acquisition. Pluspetrol has agreed that the deposit will be refunded to the Company and Pluspetrol will reimburse the Company for its acquisition related expenses if the Acquisition Agreements are terminated in certain events, including if Pluspetrol does not perform in all material respects all of their obligations under the Acquisition Agreements. During the latter part of 2017, the Company incurred $264,630 of acquisition related expenses (Notes 16 and 20(d)).

9. VALUE ADDED TAX:

		2017		2016
Included in prepaid expenses	$	9,848	$	64,303
Included in E&E assets (Note 6)		1,517,404		1,517,404
Included in property and equipment (Note 7)		951,693		1,476,108
	$	2,478,945	$	3,057,815

10. BANK DEBT:

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

		2017		2016
Balance, beginning of year	$	2,376,639	$	2,416,186
Proceeds		1,134,246		2,589,946
Repayment		(2,446,907)		(2,180,109)
Effect of change in exchange rates		(251,770)		(449,384)
Balance, end of year	$	812,208	$	2,376,639

Bank debt as at December 31, 2017 and 2016 is comprised of the following:

		2017		2016
Loan facility (a)	$	351,172	$	1,031,661
Loan facility (b)		–		444,978
Loan facility (c)		461,036		900,000
		812,208		2,376,639
Current portion of bank debt		(812,208)		(1,948,878)
Long-term portion of bank debt	$	–	$	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, 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 the 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 loan principal is repayable in 24 monthly installments commencing November 23, 2016.

Crown Point Energía is subject to two financial covenants, tested on an annual basis, both of which were met as at December 31, 2017:

- Financial Debt to EBITDA ratio of 2 or less to 1 as defined in the loan agreement. Financial Debt is the total of Crown Point Energía's liabilities, excluding trade and other payables and decommissioning liabilities, and EBITDA is Crown Point Energía's results from operating activities plus depreciation and depletion. As at December 31, 2017, Crown Point Energía's Financial Debt to EBITDA ratio was 0.2 to 1.
- Interest Coverage ratio of 3.0 times or higher as defined in the loan agreement. The Interest Coverage ratio is determined as EBITDA divided by the sum of Crown Point Energía's interest, commissions, fees, pre-cancellation and other amounts related to Financial Debt, excluding principal payments. As at December 31, 2017, Crown Point Energía's Interest Coverage ratio was 11.4.

During 2017, $485,000 of the USD denominated letters of credit, were released to the Company, leaving an aggregate balance of $215,000 in USD denominated letters of credit remaining as of December 31, 2017 (2016 – $700,000 in in USD denominated letters of credit). In February 2018, $58,000 of USD denominated letters of credit, were released to the Company (Note 24(b))

As at December 31, 2017, the balance owing under this loan facility was ARS 6,729,166 ($351,172) (December 31, 2016 – ARS 16,229,167 ($1,031,661)).

(b) On February 2, 2016, the Company obtained an ARS 10,000,000 ($709,300) loan facility with HSBC Argentina, secured by a $730,000 USD denominated letter of credit held as a GIC with a major Canadian financial institution, at an interest rate of 34% per annum, calculated and paid monthly and repayable in one installment on May 2, 2016.

On May 2, 2016, the Company renewed the ARS 10,000,000 ($702,700) loan facility at an interest rate of 38.75% per annum and repayable in one installment on July 2, 2016.

On July 4, 2016, the Company repaid ARS 3,000,000 ($199,750) of the ARS 10,000,000 loan facility at which time $250,000 of the letter of credit was returned to the Company. The Company renewed the remaining ARS 7,000,000 ($466,100) of the loan facility, 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 36% per annum and repayable in one installment on September 6, 2016. The Company continued to renew the ARS 7,000,000 loan facility at lower interest rates

throughout the remainder of 2016. As at December 31, 2016, the loan facility bore interest at 25.5% per annum, and was repayable in one installment on March 5, 2017.

During 2017, the Company further extended the loan until it was repaid in full on July 20, 2017. 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 USD denominated unsecured loan facility loan with Banco Industrial at an interest rate of 9.5% per annum, calculated and paid monthly. The loan matured on December 26, 2017. After negotiations with Banco Industrial, the loan was repaid in two installments on December 26, 2017 ($438,962) and on January 19, 2018 ($461,036) (Note 24(a)).

(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.

(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:

The Company's decommissioning provision results from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2017 the estimated total undiscounted inflation-adjusted amount of cash flows required to settle the Company's obligations were approximately $4.8 million (2016 – $4.8 million). These costs are expected to be incurred over the next 9 years. The decommissioning obligations have been estimated using USD inputs, using existing technology at current USD prices and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability. An average risk-free interest rate of 2.4% (2016 – 2%) and an inflation rate of 2.1% (2016 – 2%) was used to calculate the fair value of the decommissioning provision.

A reconciliation of the decommissioning provision is provided below:

	2017	2016
Balance, beginning of year	$ 4,000,350	$ 3,148,251
Additions	40,446	19,463
Accretion	94,075	59,964
Expenditures	(25,119)	–
Change in estimates	(126,207)	772,672
Balance, end of year	3,983,545	4,000,350
Current portion of decommissioning provision	(180,708)	(182,195)
Long-term portion of decommissioning provision	$ 3,802,837	$ 3,818,155

12. SHARE CAPITAL:

(a) Authorized

Unlimited number of common shares without par value (b)
Unlimited number of Class "A" preferred shares at CAD 1 each par value, none of which have been issued

(b) Issued and outstanding common shares

On December 1, 2017, the Company's shareholders approved the consolidation of the Company's common shares on the basis of a consolidation ratio of 10 pre-consolidation common shares to one post-consolidation common share. The Company subsequently amended its Articles to implement the share consolidation effective December 31, 2017. No fractional common shares were issued pursuant to the consolidation which resulted in a

rounding adjustment of 6 common shares. The share consolidation has been retroactively applied throughout these consolidated financial statements.

	Number of common shares		Amount
Balance, December 31, 2015 and 2016	16,451,522	$	116,003,355
Rights offering	16,451,522		4,112,300
Share consolidation rounding adjustment	(6)		–
Share issue costs	–		(133,011)
Balance, December 31, 2017	32,903,038	$	119,982,644

On October 23, 2017, the Company completed a rights offering whereby the Company issued 16,451,522 common shares for gross proceeds of $4.1 million (CAD $5.2 million). Liminar, the Company's largest shareholder, acquired an aggregate of 10,717,815 common shares issued in connection with the rights offering.

13. SHARE-BASED PAYMENTS:

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

Stock option activity, on a post-consolidation basis (Note 12(b)), for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017		2016	
	Number of Options	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
Balance, beginning of year	364,500	$ 6.10	456,500	$ 7.70
Expired	(206,250)	(6.70)	(92,000)	(14.20)
Balance, end of year	158,250	$ 5.20	364,500	$ 6.10
Exercisable, end of year	158,250	$ 5.20	364,500	$ 6.10

Stock options outstanding and exercisable at December 31, 2017 are as follows:

Expiry date	Weighted Average Exercise Price (CAD)	Outstanding	Exercisable
January 11, 2018	$ 5.40	11,250	11,250
January 31, 2018	3.70	91,000	91,000
March 1, 2018	8.70	5,000	5,000
May 1, 2018	2.60	10,000	10,000
May 9, 2019	8.70	41,000	41,000
	$ 5.20	158,250	158,250

During the years ended December 31, 2017 and 2016, the Company recognized the following share-based payments:

		2017		2016
Expensed	$	–	$	30,226
Capitalized as E&E assets (Note 6)		–		1,379
Capitalized as D&P assets (Note 7)		–		748
	$	–	$	32,353

14. PER SHARE AMOUNTS:

		2017		2016
Net loss	$	(1,545,265)	$	(9,742,651)
Opening number of post-consolidation shares (Note 12(b))		16,451,522		16,451,522
Effect of shares issued (Note 12(b))		3,110,014		–
Basic weighted average number of shares		19,561,536		16,451,522
Net loss per share	$	(0. 08)	$	(0.59)

For the years ended December 31, 2017 and 2016, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

15. NET FINANCE EXPENSE:

		2017		2016
Interest income	$	265,766	$	42,667
Financing fees and bank charges		(350,636)		(324,499)
Interest on bank debt (Note 10)		(387,198)		(561,070)
Accretion of decommissioning provision (Note 11)		(94,075)		(59,964)
	$	(566,143)	$	(902,866)

16. OTHER INCOME (EXPENSES):

		2017		2016
Oil Incentive Program (a)	$	56,530	$	–
Petróleo Plus Program (b)		1,874,376		–
New Gas Incentive Program (c)		1,660,485		–
Gain (loss) on disposition of short-term bonds (Note 5)		11,734		(3,471)
Gain on disposition of property and equipment (d)		3,282		–
Acquisition transaction costs (Notes 20(d) and 23)		(264,630)		–
Rights offering expenses (e)		–		(109,529)
Retirement allowances (f)		–		(381,298)
Office lease early termination (g)		–		(376,380)
Recovery of impaired receivable (Note 21(b))		–		70,031
	$	3,341,777	$	(800,647)

(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. During 2017, the Company collected $56,530 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. During 2017, the Company received $1,874,376 of publicly-traded BONAR 2020 bonds (Note 5) as proceeds for the outstanding Petróleo Plus certificates.

(c) During 2017, the Company received a total of ARS 20,354,572 ($1,177,730) of cash proceeds under the New Gas Incentive Program related to applications for 2016 and $482,755 of publicly-traded BONAR 2020 bonds 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.

(d) During 2017, the Company sold property and equipment with a net carrying amount of $23,065 for proceeds of $26,347.

(e) During 2016, the Company expensed $109,529 of costs in respect of a rights offering for which the minimum condition was not met.

(f) During 2016, an officer of the Company retired, and in connection with same, was entitled to a retirement allowance pursuant to the terms of the related employment agreements in the aggregate amount of $381,298.

(g) During 2016, the Company recognized $376,380 of lease termination expenses in connection with the surrender of the Canadian office lease comprised of a $172,257 lease termination fee, $17,455 for the forfeiture of the lease security deposit and $186,668 for the write-off of the carrying amount of leasehold improvements and office furniture at the time of the lease surrender.

17. TAXES:

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

		2017		2016
Canadian statutory rate		27%		27%
Current tax reduction at statutory rates	$	(111,788)	$	(2,148,836)
Share-based payments		–		8,161
(Non-deductible) non-taxable items and other		(184,325)		1,225,084
Effect of tax rate differences		(58,658)		(144,151)
Effect of tax return filings		(8,028)		(169,496)
Foreign exchange		637,350		2,105,790
Change in unrecognized deferred tax assets		856,680		907,448
Tax provision	$	1,131,231	$	1,784,000

The Company's tax provision is comprised of the following current and deferred taxes:

		2017		2016
Current tax	$	812,231	$	–
Deferred tax		319,000		1,784,000
Tax provision	$	1,131,231	$	1,784,000

Current tax expense is related to taxable income in Argentina in excess of Crown Point Energía's non-capital loss pools available to reduce taxable income.

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

		2017		2016
Property and equipment and E&E assets	$	(3,759,073)	$	(4,481,063)
Non-capital loss carry forwards		–		1,014,809
Decommissioning obligation		1,195,064		1,400,123
Foreign exchange and other		461,009		282,131
Deferred tax liability	$	(2,103,000)	$	(1,784,000)

Unrecognized deferred tax assets

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

		2017		2016
Property and equipment and E&E assets	$	4,712,200	$	4,595,981
Non-capital loss carry forwards		20,494,822		17,694,033
Share issue costs		184,296		128,819
Foreign exchange and other		5,262,904		4,928,104
	$	30,654,222	$	27,346,937

As at December 31, 2017, the Company has approximately $20.5 million and $nil (2016 – $17.7 million and $3.0 million) of non-capital losses in Canada and Argentina, respectively, available to reduce taxable income. The Canadian non-capital losses expire at various times between 2028 and 2038.

The Company has temporary differences associated with its investments in its foreign subsidiaries. At December 31, 2017 and 2017, the Company has no deferred tax liabilities in respect of these temporary differences.

18. SUPPLEMENTAL CASH FLOW INFORMATION:

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

For the years ended December 31		2017		2016
Trade and other receivables	$	943,591	$	(715,487)
Inventory		(564,843)		332,769
Prepaid expenses		(490,944)		(47,691)
Trade and other payables		899,374		(1,154,731)
Effect of change in exchange rates		(22,389)		(5,187)
	$	764,789	$	(1,590,327)
Attributable to:				
Operating activities	$	445,458	$	(713,174)
Investing activities		319,331		(877,153)
	$	764,789	$	(1,590,327)

(b) As at December 31, 2017, the Company held $707,430 (2016 – $521,185) of cash in Canadian and Argentine banks and $13,219 (2016 – $1,022) of short-term deposits.

(c) During 2017, the Company paid $387,198 (2016 – $561,070) of interest expense on bank debt (Note 10).

19. PERSONNEL EXPENSES:

(a) Salaries and benefits

The Company's consolidated statement of loss and comprehensive loss is prepared primarily by nature of expense, with the exception of $1,570,750 of salaries and benefits for employees and executive management which are included in general and administrative expenses for the year ended December 31, 2017 (2016 – $1,599,214). In addition, E&E assets and property and equipment include $nil (2016 – $187,959 and $154,477), respectively, of capitalized salaries and benefits directly related to the development of E&E assets (Note 6) and D&P assets (Note 7).

(b) Key management compensation

The Company considers its key management personnel to consist of its officers and directors. The Company's directors and officers participate in the Company's stock option plan. As at December 31, 2017, key management personnel included 8 individuals (2016 – 10 individuals) and the related compensation recognized in the consolidated statement of loss and comprehensive loss comprised the following:

	2017	2016
Salaries and benefits	$ 382,171	$ 679,847
Retiring allowance	–	381,298
Director fees	123,804	123,094
Share-based payments	–	24,778
	$ 505,975	$ 1,209,017

20. RELATED PARTY TRANSACTIONS:

(a) During 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 $317,609 (ARS 5,205,039) (2016 – $412,719 (ARS 6,206,844)) of oil and gas revenue for its working interest share. Included in trade and other receivables as at December 31, 2017 is $21,435 (ARS 399,786) (2016 – $96,419 (ARS 1,516,737)) in respect of this revenue.

(b) During 2017, the Company sold BONAR 2020 bonds with a notional value of $550,000 to BST for net proceeds of $624,800 and repurchased these bonds from BST for $627,000 (Note 5).

(c) On October 23, 2017, Liminar, the Company's largest shareholder, acquired an aggregate of 10,717,815 common shares issued in connection with the rights offering described in Note 12(b).

(d) In December 2017, the Company was charged a fee of $216,131 by Liminar for the guarantee by Liminar of the Company's payment obligations under the Acquisition Agreements (Note 23). The $216,131 fee is included in acquisition transaction costs (Note 16) and trade and other payables as at and for the year ended December 31, 2017.

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

21. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT:

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

(a) Capital management

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

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

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

Crown Point Energía is subject to financial covenants on its bank debt (Note 10(a)) and the Company has provided deposits totaling $215,000 in respect of security against $0.4 million of bank debt which must remain in place until the related loans are repaid in full on or before October 23, 2018.

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

(b) Credit risk

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

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

The Company's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. The Company's trade and other receivables include amounts due from the sale of crude oil and natural gas. The majority of the Company's oil production is sold by the Company to the Argentina subsidiary of a major international oil and natural gas company; the majority of the Company's natural gas production is sold by the Company to several Argentine companies. The Company has not provided an allowance for doubtful accounts in 2017 or 2016.

The Company's trade and other receivables consist of:

	2017	2016
Due from Argentine companies	$ 1,695,207	$ 2,627,711
Other receivables	48,617	56,150
Impairment	(249,804)	(249,804)
Total trade and other receivables	$ 1,490,466	$ 2,434,057

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

	2017	2016
Not past due (less than 90 days)	$ 1,407,083	$ 2,385,514
Past due (more than 90 days)	83,383	48,543
Total trade and other receivables	$ 1,490,466	$ 2,434,057

Impairment:

The Company evaluated the collectability of $319,835 from an Argentine operator in a previous year. During 2017, the Company recovered $nil (2016 – $70,031) of the impaired receivable (Note 16).

Interest-bearing bonds (Note 8) are due from a national trust created by the Argentine government for which quarterly repayment commenced on schedule in January 2011. The Company does not believe these bonds are subject to material credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as reasonable, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses.

As of December 31, 2017 the Company has working capital of $678,770 which includes $4,027,001 of financial liabilities with a contractual maturity of less than one year.

The Company prepares operating and capital expenditure budgets which are regularly monitored and updated as considered necessary. In addition, the Company utilizes authorizations for expenditures to manage capital expenditures.

The Company may need to seek a combination of debt, equity and/or asset divestitures to meet its operational requirements which is described further in Note 1.

(d) Market risk

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

(i) Commodity price risk

Price fluctuations for both crude oil and natural gas are influenced by world supply and local demand factors. The Company has no influence over the pricing of oil and natural gas and has not attempted to mitigate commodity price risk through the use of financial derivatives. Currently all of the Company's oil and gas revenue is from Argentina.

(ii) Interest rate risk

The Company is exposed to interest rate fluctuations on its investments of excess cash in short-term money market investments held with international banks. Assuming all other variables remain constant, a 1% change in the interest rate applicable to the Company's cash and cash equivalents would result in a $6,890 change to net loss for the year ended December 31, 2017 (2016 – nominal change). The Company's bank debt is at a fixed rate of interest.

(iii) Foreign currency exchange rate risk:

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

Foreign currency denominated financial instruments held by the Company:

As at December 31, 2017	Balance denominated in		Total USD equivalents
	CAD	ARS	
Cash and cash equivalents	$ 88,024	$ 11,858,207	$ 688,930
Trade and other receivables	$ 16,476	$ 4,985,325	$ 273,272
Trade and other payables	$ (446,078)	$ (44,848,496)	$ (2,695,301)
Bank debt	$ –	$ (6,726,166)	$ (351,172)

As at December 31, 2016	Balance denominated in		Total USD equivalents
	CAD	ARS	
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)

(iv) Currency devaluation:

Exchange rates as at December 31	2017 [(1)]	2016 [(2)]
CAD to USD	0.7954	0.7448
ARS to USD	0.0522	0.0636
USD to ARS	19.1620	15.7311

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

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 2017, the devaluation of ARS resulted in lower TDF operating costs and general and administrative expenses incurred in Argentina by approximately 9% (2016 – devaluation of ARS; lower by approximately 9%).

During 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 $174,000 (2016 – devaluation of ARS; reduction by approximately $141,000).

During 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 $251,770 (2016 – devaluation of ARS; reduction by approximately $449,384) (Note 10).

(a) Sensitivity analysis:

The following table presents an estimate of the impact on net loss for the market risk factors discussed above and is calculated based on the noted change in exchange rates applied to balances as at December 31, 2017 and 2016:

Market risk	Change in exchange rates		2017		2016
Foreign exchange - effect of strengthening USD:					
CAD denominated financial assets and liabilities	5%	$	13,580	$	15,470
ARS denominated financial assets and liabilities	5%	$	90,660	$	81,900

22. 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	Until May 1, 2019 [(1)]	18 [(3)] gross wells with a minimum of $12.1 million of exploration and development investment. As of December 31, 2017, the Company had drilled 15 [(3)] gross wells and fulfilled the minimum $12.1 million investment.
Rio Cullen	Pending [(2)]	Pending [(2)]
La Angostura	Pending [(2)]	Pending [(2)]

(1) The Las Violetas concession term expires in August 2026, The Company was granted the concession term extension in July 2013 with an expenditure period of four years from the date of the extension with an option to extend for one additional year. In December 2017, the Company received formal approval of the extension of the expenditure period to May 1, 2019.

(2) 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 for each concession 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.

(3) The 18 gross well drilling commitment is an aggregate commitment for all three concessions. As at December 31, 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.

(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, 2019 (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 December 31, 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. In October 2017, the Company requested a further extension to the deadline to acquire seismic until April 2018 and defer drilling of the commitment exploration well until the second half of 2018. In March 2018, the Company received formal approval of both the extension and deferral until January 22, 2019.

(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) Leased premises

The Company has two premises rentals in Buenos Aries for accommodations and office space with terms expiring on February 28, 2019 and March 31, 2020, respectively. Minimum monthly rentals are approximately $2,000 and $2,300, respectively.

23. PROPOSED ACQUISITION:

On November 21, 2017, the Company entered into Acquisition Agreements with Pluspetrol for the acquisition of all of the issued and outstanding shares of Apco Austral from Pluspetrol for $28.4 million of cash consideration, reduced by the $6.8 million acquisition deposit (Note 8), plus up to $9 million of contingent royalty payments during a ten-year period commencing on January 1, 2018. Under the terms of the royalty agreement, the Company will make quarterly payments equal to 10% of the amount by which net revenue (oil and gas revenue less provincial royalties) received by Apco Austral from its 25.7796% participating interest in the TDF concessions for the quarter exceeds certain base net revenue thresholds for such quarter. Liminar has provided a guarantee in respect of the Company's payment obligations under the Acquisition Agreement. Liminar received a fee of $216,131 for its guarantee of the Company's payment obligations under the Acquisition Agreements.

Pursuant to the joint venture agreement governing the TDF concessions (the "JV Agreement"), Crown Point's and Apco Austral's partners in the TDF concessions (each a "JV Partner") had a right of first refusal ("ROFR") that allowed them to participate in the acquisition at a level that is equivalent to their participating interest in the TDF concessions. Pluspetrol has previously advised the Company that none of the JV Partners that are non-affiliates of Crown Point exercised their ROFR.

The Company was subsequently advised by Pluspetrol that Roch S.A. ("Roch"), one of the JV Partners, has disputed the validity of the ROFR notices issued by Pluspetrol to the JV Partners and has obtained an injunction from a Court in Argentina prohibiting Pluspetrol from selling the shares of Apco Austral to the Company until Pluspetrol complies with the provisions of the JV Agreement relating to the provision to Roch of complete information in order to allow Roch to evaluate whether or not to exercise its ROFR under the JV Agreement.

Pluspetrol has advised the Company that it believes that Roch's assertion that Pluspetrol has not fully complied with the ROFR provisions of the JV Agreement is without merit and that Pluspetrol intends to take immediate legal action to have the injunction rescinded as soon as possible.

Pluspetrol has also advised the Company that Roch has given notice to Pluspetrol that it is commencing arbitration proceedings under the JV Agreement in order to have an arbitrator consider and rule on the dispute.

Completion of the acquisition is subject to, among other things, the removal of the injunction and other customary closing conditions. In light of the injunction and the pending arbitration proceedings, the Company and Pluspetrol have amended the Acquisition Agreements to extend the outside date for completing the acquisition until May 30, 2018.

24. SUBSEQUENT EVENTS:

(a) On January 19, 2018, the Company repaid the remaining balance ($461,036) of the Banco Industrial loan (Note 10 (c)).

(b) On February 21, 2018, $58,000 USD denominated letters of credit, were released to the Company (Note 10(a)).

(c) On February 22, 2018, the Company announced the filing of a preliminary prospectus for a rights offering (the “Rights Offering”) and a commitment letter (“the Commitment Letter”) for debt financing.

Pursuant to the Rights Offering, each registered holder of the Company’s common shares as at the close of business on the record date fixed in connection with the Rights Offering will receive one (1) right (a “Right”) for each common share held. Each Right will entitle an eligible holder thereof to acquire 1.21569322 common shares at a price of $0.36470797 per Right (representing a subscription price of $0.30 per common share). The Rights Offering will include an additional subscription privilege under which holders of Rights who fully exercise their Rights will be entitled to subscribe for additional common shares, if available, that were not otherwise subscribed for under the Rights Offering. The record date and the expiry date for the Rights Offering will be determined at the time of filing by the Company of a (final) short form prospectus in connection with the Rights Offering. The minimum Rights Offering is 26,666,667 common shares for gross proceeds of $8 million (the “Minimum Offering”) with a maximum of up to 40,000,000 common shares for gross proceeds of $12 million. The Company anticipates using the net proceeds of the Rights Offering to fund a portion of the purchase price for the acquisition of Apco Austral.

In connection with the Rights Offering, the Company has entered into a standby purchase agreement (the “Standby Purchase Agreement”) with its largest shareholder, Liminar. Liminar has agreed, subject to the satisfaction of certain conditions, to fully exercise its basic subscription privilege and partially exercise its additional subscription privilege to the extent necessary to subscribe for not less than the Minimum Offering. As a result, subject to the satisfaction of the terms and conditions of the Standby Purchase Agreement, the Minimum Offering will be fully backstopped by Liminar.

In addition, BST has provided a Commitment Letter confirming that up to $14 million will be available to the Company under a new credit facility (the “New Credit Facility”) provided by BST and/or one or more lenders sourced by BST for the purposes of funding a portion of the purchase price for the acquisition of Apco Austral. The New Credit Facility is expected to bear interest at a rate of 7.5% to 9% per annum, require monthly payments of principal and interest and mature 60 months after the date that funds are disbursed. The loan is expected to

be secured by an assignment of all cash flows of Apco Austral, after deducting certain cash flows required for capital expenditures and operational expenditures as agreed to by the Company and the lenders.

In consideration of BST's services in connection with arranging the New Credit Facility, the Company will pay a fee to BST equal to 0.25% of the amount drawn under the New Credit Facility to a maximum fee of $35,000 and will reimburse BST for its expenses to a maximum amount of $25,000.

Liminar has agreed to guarantee the Company's payment obligations to the lenders under the New Credit Facility. In consideration for the provision of the guarantee under the New Credit Facility, the Company has agreed to pay to Liminar an annual fee during the term of the loan equal to 1% of the principal amount outstanding under the New Credit Facility on the date of such payment, with the first payment to be made on the date that funds are disbursed to the Company under the New Credit Facility and subsequent payments to be made annually on the anniversary date of the disbursement date.