CROWN POINT ENERGY INC.
Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018
(Unaudited)

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

As at		June 30 2018		December 31 2017
Assets				
Current assets:				
Cash and cash equivalents	$	1,874,077	$	720,649
Trade and other receivables (Note 5)		4,651,772		1,490,466
Inventory		2,397,438		1,190,402
Prepaid expenses		697,020		1,269,962
Deposits (Note 11)		-		215,000
		9,620,307		4,886,479
Exploration and evaluation assets (Note 6)		6,064,699		6,013,387
Property and equipment (Note 7)		48,467,718		23,198,458
Other non-current assets (Note 8)		4,260		6,758,046
Goodwill (Note 4)		4,827,660		-
	$	68,984,644	$	40,856,370
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables (Note 10)	$	8,387,119	$	2,395,679
Current taxes payable (Note 18)		3,921,375		812,231
Bank debt (Note 11)		4,000,000		812,208
Current portion of contingent liability (Note 12)		756,000		-
Current portion of decommissioning provision (Note 13)		182,225		180,708
		17,246,719		4,200,826
Contingent liability (Note 12)		1,007,100		-
Decommissioning provision (Note 13)		6,959,281		3,802,837
Deferred tax liability (Note 18)		6,793,000		2,103,000
		32,006,100		10,106,663
Shareholders' equity:				
Share capital (Note 14)		131,745,987		119,982,644
Contributed surplus		6,887,166		6,887,166
Accumulated other comprehensive loss		(18,692,297)		(18,266,601)
Deficit		(82,962,312)		(77,853,502)
		36,978,544		30,749,707
	$	68,984,644	$	40,856,370

Reporting entity and going concern (Note 1)
Commitments (Note 23)
Contingency (Note 24)
Subsequent events (Note 25)

See accompanying notes to condensed interim consolidated financial statements.

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

	For the three months ended June 30 2018	For the three months ended June 30 2017	For the six months ended June 30 2018	For the six months ended June 30 2017
Revenue				
Oil and gas (Note 16)	$ 7,158,826	$ 4,009,250	$ 12,700,272	$ 6,782,424
Royalties	(1,159,873)	(717,877)	(2,029,033)	(1,228,486)
	5,998,953	3,291,373	10,671,239	5,553,938
Expenses				
Operating	1,844,392	1,494,776	3,457,874	2,711,119
General and administrative	614,621	727,888	1,123,510	1,392,598
Depletion and depreciation	1,985,995	1,559,511	3,575,190	2,894,874
Transaction costs (Note 4)	4,438,250	-	4,462,249	-
Foreign exchange (gain) loss	(443,318)	9,548	(516,977)	14,161
	8,439,940	3,791,723	12,101,846	7,012,752
Results from operating activities	(2,440,987)	(500,350)	(1,430,607)	(1,458,814)
Net finance expense (Note 17)	(378,527)	(221,988)	(479,763)	(403,658)
Other income	-	-	-	64,677
Loss before taxes	(2,819,514)	(722,338)	(1,910,370)	(1,797,795)
Tax (expense) recovery (Note 18)	(2,562,075)	(316,000)	(3,198,440)	192,000
Net loss	(5,381,589)	(1,038,338)	(5,108,810)	(1,605,795)
Exchange differences on translation of the Canadian parent company	(326,485)	(10,417)	(425,696)	(8,213)
Comprehensive loss	$ (5,708,074)	$ (1,048,755)	$ (5,534,506)	$ (1,614,008)
Net loss per share	$ (0.11)	$ (0.06)	$ (0.12)	$ (0.10)
Weighted average shares outstanding - basic and diluted (Note 19)	49,606,335	16,451,522	41,300,828	16,451,522

See accompanying notes to condensed interim consolidated financial statements.

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

For the six months ended June 30		2018		2017
Share capital				
Balance, January 1	$	119,982,644	$	116,003,355
Issuance of share capital, net of costs (Note 14)		11,763,343		-
Balance, June 30		131,745,987		116,003,355
Contributed surplus				
Balance, January 1 and June 30		6,887,166		6,887,166
Accumulated other comprehensive loss				
Balance, January 1		(18,266,601)		(18,028,606)
Exchange differences on translation of Canadian parent company		(425,696)		(8,213)
Balance, June 30		(18,692,297)		(18,036,819)
Deficit				
Balance, January 1		(77,853,502)		(76,308,237)
Net loss		(5,108,810)		(1,605,795)
Balance, June 30		(82,962,312)		(77,914,032)
Total shareholders' equity	$	36,978,544	$	26,939,670

See accompanying notes to condensed interim consolidated financial statements.

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

For the six months ended June 30	2018	2017
Operating:		
Net loss	$ (5,108,810)	$ (1,605,795)
Items not affecting cash:		
Depletion and depreciation	3,575,190	2,894,874
Unrealized foreign exchange gain	(231,469)	(109,346)
Finance expense (Note 17)	109,220	268,778
Other income	-	(9,264)
Tax provision (recovery) (Note 18)	737,200	(192,000)
Decomissioning expenditures	-	(25,119)
	(918,669)	1,222,128
Change in non-cash working capital (Note 20)	5,891,477	(414,050)
Operating cash flows	4,972,808	808,078
Financing:		
Bank debt proceeds (Note 11)	11,500,000	778,336
Bank debt repayment (Note 11)	(8,296,738)	(302,418)
Proceeds from return of deposits (Note 11)	215,000	365,000
Proceeds from share issuance, net of costs (Note 14)	11,763,343	-
Interest expense (Note 17)	(63,449)	(223,042)
Financing cash flows	15,118,156	617,876
Investing:		
Exploration and evaluation - expenditures (Note 6)	(55,373)	(2,042,584)
Property and equipment - expenditures (Note 7)	(2,561,945)	(372,746)
Property and equipment - VAT (expenditures) recoveries (Note 7)	(76,319)	780,054
Property and equipment - proceeds from disposition	-	19,734
Acquisition of Apco Austral S.A. (Note 4)	(17,311,776)	-
Change in other non-current assets	(55,608)	(184,269)
Change in non-cash working capital (Note 20)	1,345,257	181,842
Investing cash flows	(18,715,764)	(1,617,969)
Change in cash and cash equivalents	1,375,200	(192,015)
Foreign exchange effect on cash held in foreign currencies	(221,772)	42,584
Cash and cash equivalents, January 1	720,649	521,185
Cash and cash equivalents, June 30	$ 1,874,077	$ 371,754

See accompanying notes to condensed interim consolidated financial statements.

1. REPORTING ENTITY AND GOING CONCERN:

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

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

As at June 30, 2018, Liminar Energía S.A. ("Liminar"), the Company's largest shareholder, owned approximately 59.5% of the Company's issued and outstanding common shares.

These condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. During the six months ended June 30, 2018, the Company generated net loss of approximately $5.1 million. As at June 30, 2018, the Company has a working capital deficit of approximately $7.6 million and significant future capital commitments (Note 23) 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.

The following events have had a significant impact on the future liquidity position of the Company:

- On April 17, 2018, the Company filed a final prospectus for a rights offering and a commitment letter for debt financing. The Company closed the rights offering on May 23, 2018, pursuant to which the Company issued 40,000,000 common shares at $0.30 per share for gross proceeds of $12 million (Note 14) and obtained three loans in June 2018 totaling $11.5 million (Note 11).
- On June 7, 2018, the Company acquired 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 4).

2. BASIS OF PRESENTATION:

The unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented (see Note 3 for impact of new accounting policies). These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CanAmericas (Argentina) Energy Ltd., Crown Point Energía S.A. and Apco Austral (Note 4).

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2018.

(United States dollars)

3. CHANGES IN ACCOUNTING STANDARDS:

On January 1, 2018, the Company retrospectively adopted IFRS 9 Financial Instruments (“IFRS 9”) which includes new requirements for the classification and measurement of financial assets, a new credit loss impairment model and new model to be used for hedge accounting for risk management contracts. The Company does not currently have any risk management contracts. The adoption of IFRS 9 did not have a material impact on the Company’s financial statements and management applied the provision matrix practical expedient as part of the adoption of the standard. The additional disclosures required by IFRS 9 are detailed in Note 5.

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) using the retrospective method of adoption. The adoption of IFRS 15 did not have a material impact on the Company’s unaudited condensed interim consolidated financial statements and as a result, the Company did not apply any practical expedients as part of the adoption of IFRS 15. The additional disclosures required by IFRS 15 are detailed in Note 16.

4. ACQUISITION OF APCO AUSTRAL S.A.

On June 7, 2018, the Company closed the acquisition (the “Acquisition”) of all of the issued and outstanding shares of Apco Austral S.A. (“Apco Austral”) from Pluspetrol Resources Corporation (“Pluspetrol”) for $28.4 million of cash consideration plus up to $9 million of contingent royalty payments (Note 12) during a ten-year period commencing on January 1, 2018. $6.75 million of the cash consideration was paid as a deposit in 2017 (Note 8).

Apco Austral holds a 25.7796% participating interest in the Rio Cullen, Las Violetas and La Angostura hydrocarbon exploitation concessions located in the Tierra del Fuego (“TDF”) region of the Austral basin in southern Argentina (the "TDF Concessions"). Following the completion of the Acquisition, the Company holds a 51.56% interest in the TDF Concessions,

The Acquisition was accounted for as a business combination in accordance with IFRS 3 Business Combinations using the acquisition method of accounting whereby the assets acquired and liabilities assumed were recorded at their estimated fair values on the June 7, 2018 acquisition date as follows:

Fair value of net assets:		
Working capital	$	6,016,668
Property and equipment		25,280,400
Goodwill		4,827,660
Non-current liabilities		(56,684)
Decommissioning provision		(1,989,000)
Deferred tax liability		(3,952,800)
	$	30,126,244
Consideration:		
Cash	$	28,363,144
Contingent liability (Note 12)		1,763,100
	$	30,126,244

The preceding estimates of fair value were made by management at the time of preparation of these consolidated financial statements based on available information and may be adjusted as the amounts subject to estimates are finalized.

Goodwill is attributed to the doubling of daily production and usage of excess capacity in existing Company-owned field infrastructure to gather, process and transport new gas production to market at minimal on-stream cost. Subsequent measurement of goodwill is at cost less any accumulated impairments. Goodwill is assessed for impairment at least annually. If the carrying amount of the related cash-generating unit (“CGU”) exceeds the recoverable amount of the CGU, including goodwill, the associated goodwill is written down with an impairment recognized in net earnings. Goodwill impairments are not reversed.

(United States dollars)

During the six months ended June 30, 2018, the Company incurred $4.5 million of costs related to the Acquisition, including $4.4 million of withholding taxes payable to Argentine tax authorities in connection with the Acquisition (year ended December 31, 2017 – $264,630, of which $216,131 was paid to Liminar as a fee for its guarantee of the Company's payment obligations under the Acquisition agreements).

Since June 7, 2018, the Acquisition contributed $670,694 of oil and gas revenue and $367,350 of operating income (oil and gas revenue less royalties and operating expenses). Had the Acquisition occurred on January 1, 2018, the Company estimates that oil and gas revenue would have increased by approximately $6.2 million and operating income would have increased by approximately $4.1 million. The pro forma information is not necessarily representative of future revenue and operations.

5. TRADE AND OTHER RECEIVABLES:

The Company's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. The Company's trade and other receivables include amounts due from the sale of crude oil and natural gas. The majority of the Company's oil production is 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.

Three major purchasers that represent 78% of revenue reported in the six months ended June 30, 2018 comprise $2.8 million of accounts receivable at June 30, 2018 (December 31, 2017 – $1 million).

The Company evaluated the collectability of a receivable due from an Argentine operator in a previous year and recorded a $249,804 allowance for credit losses. The allowance for credit losses was increased at June 30, 2018 in relation to trade and other receivables acquired from Apco Austral (Note 4).

The Company's maximum exposure to credit risk at June 30, 2018 is in respect of $4,651,772 (December 31, 2017 – $1,490,466) of trade and other receivables. The Company's trade and other receivables consist of:

	June 30 2018	December 31 2017
Due from Argentine companies	$ 4,871,772	$ 1,695,207
Other receivables	69,927	45,063
Allowance for credit losses	(289,927)	(249,804)
Total trade and other receivables	$ 4,651,772	$ 1,490,466

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

	June 30 2018	December 31 2017
Not past due (less than 90 days)	$ 4,278,001	$ 1,407,083
Past due (more than 90 days)	663,698	333,187
	4,941,699	1,740,270
Allowance for credit losses	(289,927)	(249,804)
Total trade and other receivables	$ 4,651,772	$ 1,490,466

(United States dollars)

6. EXPLORATION AND EVALUATION ASSETS (“E&E”):

Carrying amount, December 31, 2017	$	6,013,387
Additions		55,373
Decommissioning revision (Note 13)		(4,061)
Carrying amount, June 30, 2018	$	6,064,699

7. PROPERTY AND EQUIPMENT:

	Argentina		Canada	
	Development and Production Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$
Balance at December 31, 2017	52,804,791	351,493	279,284	53,435,568
Acquisition (Note 4)	25,273,416	6,984	–	25,280,400
Additions	2,555,863	6,082	–	2,561,945
VAT additions	76,319	–	–	76,319
Decommissioning revision (Note 13)	1,127,251	–	–	1,127,251
Effect of change in exchange rates	–	–	(12,255)	(12,255)
Balance at June 30, 2018	81,837,640	364,559	267,029	82,469,228
Accumulated depletion and depreciation:				
Balance at December 31, 2017	29,681,865	281,190	274,055	30,237,110
Depletion and depreciation	3,751,713	23,968	766	3,776,447
Effect of change in exchange rates	–	–	(12,047)	(12,047)
Balance at June 30, 2018	33,433,578	305,158	262,774	34,001,510
Net carrying amount:				
At December 31, 2017	23,122,926	70,303	5,229	23,198,458
At June 30, 2018	48,404,062	59,401	4,255	48,467,718

Future development costs:

The June 30, 2018 depletion expense calculation included $50.0 million (December 31, 2017 – $26.2 million) for estimated future development costs associated with proved and probable reserves in Argentina.

8. OTHER NON-CURRENT ASSETS:

		June 30 2018		December 31 2017
Interest-bearing bonds	$	16,736	$	23,833
Long-term receivables		4,260		8,046
Acquisition deposit (Note 4)		–		6,750,000
		20,996		6,781,879
Current portion of interest-bearing bonds included in trade and other receivables		(16,736)		(23,833)
Total non-current assets	$	4,260	$	6,758,046

(United States dollars)

9. VALUE ADDED TAX:

		June 30 2018		December 31 2017
Included in prepaid expenses	$	54,750	$	9,848
Included in E&E assets (Note 6)		1,517,404		1,517,404
Included in property and equipment (Note 7)		1,028,012		951,693
	$	2,600,166	$	2,478,945

10. TRADE AND OTHER PAYABLES:

		June 30 2018		December 31 2017
Trade payables	$	4,878,209	$	1,748,732
Withholding tax payable (Note 4)		2,708,357		–
Accrued liabilities and other payables		800,553		646,947
	$	8,387,119	$	2,395,679

11. BANK DEBT:

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

		June 30 2018
Balance, December 31, 2017	$	812,208
Proceeds		11,500,000
Repayment		(8,296,738)
Effect of change in exchange rates		(15,470)
Balance, June 30, 2018	$	4,000,000

Bank debt as at June 30, 2018 and December 31, 2017 was classified as current and comprised of the following:

		June 30 2018		December 31 2017
Loan facility (a)	$	–	$	351,172
Loan facility (b)		–		461,036
Acquisition loan (c)		2,900,000		–
Working capital loan (e)		1,100,000		–
Total bank debt	$	4,000,000	$	812,208

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

On July 17, 2015, the Company drew ARS 9,500,000 ($1,038,512) of proceeds under the loan facility obtained with HSBC Argentina on June 30, 2015, at which time the Company provided the lender security in the form of a $350,000 (December 31, 2017 – $90,500) US denominated letter of credit held as a GIC with a major Canadian financial institution. The loan principal was repayable in 24 monthly installments commencing August 17, 2016.

On October 23, 2015, the Company drew an additional ARS 9,500,000 ($997,941) of proceeds under this loan facility, at which time the Company provided the lender security in the form of a USD denominated $350,000 (December 31, 2016 – $124,500) letter of credit held as a GIC with a major Canadian financial institution. The ARS 9,500,000 loan principal was repayable in 24 monthly installments commencing November 23, 2016.

As at December 31, 2017, the balance owing under this loan facility was ARS 6,729,166 ($351,172)) which was repaid in monthly installments during the first three months of 2018 with a final payment of ARS 4,354,166 ($216,227) made in April 2018. The $215,000 of USD denominated GICs on deposit as security were released to the Company in February and May 2018.

(b) On December 26, 2016, the Company obtained a $900,000 loan facility with Banco Industrial. The loan is denominated in USD, unsecured, bears interest at 9.5%, calculated and paid monthly commencing on January 26, 2017 and is repayable in one installment on December 26, 2017. On January 19, 2018, the Company repaid the remaining balance ($461,036) of the Banco Industrial loan.

(c) On June 7, 2018, the Company obtained a $2.9 million loan facility from Banco Hipotecario (the "Acquisition Loan"). The Acquisition Loan is secured against certain accounts receivable to a maximum of $2.9 million that will be applied against the loan when collected. The Acquisition Loan bears interest at a rate of 8% per annum, calculated and paid monthly, and is repayable in one installment on December 7, 2018. The Company paid a $29,000 fee to Banco Hipotecario for providing the Acquisition Loan. The Acquisition Loan proceeds were used to pay a portion of the purchase price for the Acquisition (Note 4). Personal loan guarantees were provided by two individuals as disclosed in Note 21(d).

(d) On June 7, 2018, the Company obtained a $7.5 million bridge loan facility from Banco Macro (the "Bridge Loan"). The Bridge Loan is secured against certain accounts receivable to a maximum of $3.0 million that will be applied against the loan when collected. The Bridge Loan bears interest at a rate of 8% per annum, calculated and paid monthly, and is repayable in one installment on July 7, 2018. The Bridge Loan proceeds were used to pay a portion of the purchase price for the Acquisition (Note 4). Personal loan guarantees were provided by two individuals as disclosed in Note 21(d). The Bridge Loan was repaid on June 27, 2018.

(e) On June 19, 2018, the Company obtained a $1.1 million loan Banco Hipotecario (the "Working Capital Loan"). The Working Capital Loan bears interest at a rate of 8% per annum, calculated and paid monthly, and is repayable in one installment on December 19, 2018. The Company paid a $13,750 fee to Banco Hipotecario for providing the Working Capital Loan. Personal loan guarantees were provided by two individuals as disclosed in Note 21(d).

12. CONTINGENT LIABILITY:

On June 7, 2018, the Company recognized a liability of $1,763,100 representing the estimated fair value of contingent royalty payments associated with the Acquisition (Note 4), of which $756,000 is a current liability and $1,007,100 is non-current.

Under the terms of the royalty agreement, the Company will make quarterly payments over a ten-year period commencing on January 1, 2018 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. If in any quarter the net revenues received by Apco Austral do not exceed the base net revenue threshold for that quarter, then no royalty payment will be payable.

The contingent liability was estimated based on $3.3 million of undiscounted cash flows over 10 years at a discount rate of 17%.

(United States dollars)

13. DECOMMISSIONING PROVISION:

A reconciliation of the decommissioning provision is provided below:

Balance, December 31, 2017	$	3,983,545
Acquisition (Note 4)		1,989,000
Accretion		45,771
Revision		1,123,190
Balance, June 30, 2018	$	7,141,506
Current portion of decommissioning provision		(182,225)
Long-term portion of decommissioning provision	$	6,959,281

14. SHARE CAPITAL:

	Number of common shares		Amount
Balance, December 31, 2017	32,903,038	$	119,982,644
Rights offering	40,000,000		12,000,000
Share issue costs	–		(236,657)
Balance, June 30, 2018	72,903,038	$	131,745,987

On May 23, 2018, the Company closed a rights offering (the "Rights Offering"), pursuant to which the Company issued 40,000,000 common shares at $0.30 per share for gross proceeds of $12 million.

Liminar acquired an aggregate of 26,666,667 common shares in connection with the Rights Offering (Note 21(b)).

15. SHARE-BASED PAYMENTS:

Stock option activity for the three months ended June 30, 2018 is summarized as follows:

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2017	158,250	$ 5.20
Expired	(117,250)	(3.98)
Balance, June 30, 2018	41,000	$ 8.70
Balance exercisable, June 30, 2018	41,000	$ 8.70

All stock options outstanding and exercisable at June 30, 2018 expire on May 9, 2019.

16. REVENUE:

The Company sells its production pursuant to fixed and variable price contracts with varying length terms up to 1 year. Under the contracts, the Company is required to deliver a fixed or variable volume of light oil, natural gas or natural gas liquids to the contract counterparty. The transaction price is based on the commodity price, adjusted for quality, location or other factors.

The Company's revenue was generated entirely in Argentina and the production was sold in Argentina to three major purchasers during the six months ended June 30, 2018 (six months ended June 30, 2017 – five major purchasers).

(United States dollars)

Those three purchasers represented 78% of revenue for the six months ended June 30, 2018 (six months ended June 30, 2017 – 73%) and $2.8 million of accounts receivable at June 30, 2018 (December 31, 2017 – $1 million).

The following table represents the Company's petroleum and natural gas revenue disaggregated by revenue source:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Oil	$ 4,167,310	$ 1,556,127	$ 7,649,898	$ 1,980,010
Natural gas liquids	20,706	25,425	50,909	82,768
Natural gas	2,970,810	2,427,698	4,999,465	4,719,646
	$ 7,158,826	$ 4,009,250	$ 12,700,272	$ 6,782,424

Pricing for contracts vary depending on the commodity. The transaction price for oil is determined for each shipment from the storage point at Tierra del Fuego to mainland Argentina or abroad and delivery charges are free on board. Natural gas is sold to the Argentine industrial and residential markets. All of the Company's natural gas revenue for the three months ended June 30, 2018 was from sales to the industrial market (three months ended June 30, 2017 – 97% of natural gas revenue was from sales to the industrial market). The transaction price for natural gas sales to the industrial market are negotiated between the TDF UTE (of which the Company is a member) and the customer. The transaction price for natural gas sales to the residential market is set by the Argentine government.

17. NET FINANCE EXPENSE:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Interest income	$ 5,234	$ 5,550	$ 9,680	$ 17,409
Financing fees and bank charges	(313,009)	(76,078)	(380,223)	(152,289)
Interest on bank debt (Note 11)	(47,395)	(128,274)	(63,449)	(223,042)
Accretion of decommissioning provision	(23,357)	(23,186)	(45,771)	(45,736)
	$ (378,527)	$ (221,988)	$ (479,763)	$ (403,658)

18. TAXES

During the six months ended June 30, 2018, the Company recognized $3,198,440 of tax expense comprised of $2,461,240 of current tax and a $737,200 deferred tax provision (six months ended June 30, 2017 - $192,000 comprised of a deferred tax recovery).

Current tax expense is related to taxable income in Argentina generated by the Company's Argentine subsidiaries, Crown Point Energía S.A. and Apco Austral. During the six months ended June 30, 2018, the Company paid ARS 15,563,977 ($812,231) of taxes payable related to 2017. As at June 30, 2018, the Company's current taxes payable were $3,921,375 (December 31, 2017 – $812,231).

The deferred tax provision is related to the effect of the devaluation of the ARS during the period on the translation of ARS denominated tax pools to USD. As at June 30, 2018, the Company's deferred tax liability was $6,793,000 (December 31, 2017 – $2,103,000).

(United States dollars)

19. PER SHARE AMOUNTS:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Net loss	$ (5,381,589)	$ (1,038,338)	$ (5,108,810)	$ (1,605,795)
		–		
Opening number of shares	32,903,038	16,451,522	32,903,038	16,451,522
Effect of shares issued	16,703,297	–	8,397,790	–
Basic and diluted weighted average number of shares	49,606,335	16,451,522	41,300,828	16,451,522
Basic and diluted net loss per share	$ (0.11)	$ (0.06)	$ (0.12)	$ (0.10)

For the three and six months ended June 30, 2018 and 2017, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

20. SUPPLEMENTAL CASH FLOW INFORMATION:

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

For the six months ended June 30	2018	2017
Trade and other receivables	$ 1,469,617	$ (492,039)
Inventory	(396,354)	146,171
Prepaid expenses	1,064,473	113,916
Trade and other payables	3,665,554	10,806
Current taxes payable	1,418,451	–
Effect of change in exchange rates	14,993	(11,062)
	$ 7,236,734	$ (232,208)
Attributable to:		
Operating activities	$ 5,891,477	$ (414,050)
Investing activities	1,345,257	181,842
	$ 7,236,734	$ (232,208)

(b) As at June 30, 2018, the Company held $1,873,354 (December 31, 2017 – $707,430) of cash in Canadian and Argentine banks and $723 (December 31, 2017 – $13,219) of short-term deposits.

21. RELATED PARTY TRANSACTIONS:

(a) During the three and six months ended June 30, 2018, the UTE sold a portion of natural gas production to Energía y Soluciones S.A., a company controlled by Gabriel Obrador, who is a director of the Company, for which the Company recognized $53,705 (ARS 1,417,270) and $82,379 (ARS 1,991,205) (three and six months ended June 30, 2017 – $82,106 (ARS 1,885,475) and $199,973 (ARS 3,719,760)), respectively, of oil and gas revenue for its working interest share. Included in trade and other receivables as at June 30, 2018 is $47,438 (ARS 1,365,135) (December 31, 2017 – $21,435 (ARS 399,786)) in respect of this revenue.

(b) On May 23, 2018, Liminar acquired an aggregate of 26,666,667 common shares of the Company at $0.30 per share for gross proceeds of $8 million (Note 14).

(c) In connection with the final short form prospectus for the Rights Offering (Note 14), Banco de Servicios y Transacciones S.A. ("BST") provided a commitment letter confirming that up to $14 million will be available to the Company under a 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 (Note 4). The Company and BST share a common director, Pablo Peralta, who also controls significant shareholdings in both companies.

The Company obtained the Acquisition Loan and the Bridge Loan as disclosed in Note 11.

(d) Messrs. Pablo Peralta and Roberto Domínguez have personally guaranteed the Company's payment obligations under the Acquisition Loan, the Bridge Loan and the Working Capital Loan (collectively, the "Loans") disclosed in Note 11. Mr. Peralta is a director of the Company and is the President and a director of Liminar and controls 30% of the voting shares of Liminar. Mr. Domínguez controls approximately 30% of the voting shares of Liminar. In consideration for the provision of the guarantee of the Loans, the Company has agreed to pay to Messrs. Peralta and Domínguez an annual fee during the term of the Loans equal to 1% of the principal amount outstanding under the Loans on the date of such payment. The first payment in the amount of $115,000 was made on July 27, 2018 and subsequent payments will be made annually on the anniversary date of the first payment.

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

22. FOREIGN CURRENCY EXCHANGE RATE RISK:

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

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

As at June 30, 2018	Balance denominated in		Total USD equivalents
	CAD	ARS	
Cash and cash equivalents	$ 62,017	$ 31,173,478	$ 1,126,279
Trade and other receivables	$ 15,451	$ 23,949,239	$ 840,789
Trade and other payables and current taxes payable	$ (241,619)	$ (260,395,868)	$ (9,197,731)
Bank debt	$ –	$ –	$ –

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 and current taxes payable	$ (446,078)	$ (44,848,496)	$ (2,695,301)
Bank debt	$ –	$ (6,726,166)	$ (351,172)

(b) Currency appreciation and devaluation:

Exchange rates (1) as at:	June 30 2018	December 31 2017
CAD to USD	0.7605	0.7954
ARS to USD	0.0346	0.0522
USD to ARS	28.8880	19.1620

(1) Source Canadian Forex Exchange

Currency appreciation and devaluation in Argentina impacts the cost of ARS denominated items which are translated to the USD functional currency of the Argentine subsidiaries. A portion of TDF operating costs and general and administrative expenses incurred in Argentina are denominated in ARS. During the six months ended June 30, 2018, the devaluation of ARS resulted in lower TDF operating costs and general and administrative expenses incurred in Argentina by approximately 17% (six months ended June 30, 2017 –

(United States dollars)

devaluation of ARS; lower by approximately 3%).

During the six months ended June 30, 2018, 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 $2.05 million (six months ended June 30, 2017 – devaluation of ARS; decrease by approximately $16,000).

(c) Sensitivity analysis:

The following table presents an estimate of the impact on net loss for the market risk factors discussed above and is calculated based on the noted change in exchange rates applied to balances as at June 30, 2018:

Market risk	Change in exchange rates		Six months ended June 30 2018
Foreign exchange - effect of strengthening USD:			
CAD denominated financial assets and liabilities	5%	$	6,240
ARS denominated financial assets and liabilities	10%	$	710,250

23. COMMITMENTS:

(a) TDF Concessions

The Company has a 51.56% working interest in the TDF Concessions covering approximately 489,000 acres (252,100 net acres) in the Austral Basin. The term of each concession expires in August 2026. The Company's share of expenditure commitments with respect to the TDF Concessions are as follows:

Concession	Term of Expenditure Period	Required Expenditure Commitment
Las Violetas	Until May 1, 2019	18 (1) gross wells with a minimum of $24.2 million of exploration and development net investment. As of December 31, 2017, the Company had drilled 15 (3) gross wells and fulfilled the minimum $24.2 million net investment.
Rio Cullen	Pending (2)	$0.92 million
La Angostura	Pending (2)	$1.92 million

(1) The 18 gross well drilling commitment is an aggregate commitment for all three concessions. As at June 30, 2018, 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.

(2) The Company has not yet received notification from the Province of TDF of the expenditure periods for the Rio Cullen and La Angostura concessions.

(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.

(United States dollars)

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]	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 June 30, 2018
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) 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.

24. CONTINGENCY:

Pursuant to the joint venture agreement governing the TDF Concessions (the "JV Agreement"), the Company'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 was equivalent to their participating interest in the TDF Concessions. Roch S.A. ("Roch"), one of the JV Partners, disputed the validity of the ROFR notices issued by Pluspetrol to the JV Partners and obtained an injunction (the "Injunction") from an Argentine court prohibiting Pluspetrol from selling the shares of Apco Austral to the Company. Both Pluspetrol and the Company successfully challenged the Injunction and the Argentine court ordered that the Injunction be revoked and that instead Roch's claim be recorded in Apco Austral's share registers to give notice of the claim to potential purchasers (a legal remedy known as "lis pendens" or "Anotación de Litis" in Argentina) (the "Lis Pendens Remedy"). However, Roch immediately appealed this decision to an Argentine Court of Appeal, which had the effect of reinstating the lower court's initial decision (which kept the Injunction in place). The Argentine Court of Appeal subsequently rejected Roch's appeal, with the result that the lower court's decision to revoke the original Injunction and impose the Lis Pendens Remedy was restored. Roch did not appeal the Court of Appeal's decision by the applicable deadline, with the result that the Injunction was permanently revoked and the Lis Pendens Remedy remains in effect.

Roch has also commenced arbitration proceedings against Pluspetrol and Apco Austral under the JV Agreement in order to have an arbitration panel consider and rule on the dispute (the "Arbitration"). The Arbitration is currently in its early stages and is expected to take approximately six months to complete. The Company is unable to predict when the Arbitration will be concluded or what the outcome of the Arbitration proceedings will be. Pluspetrol has provided certain indemnities to the Company in connection with the Arbitration proceedings.

25. SUBSEQUENT EVENTS:

On July 12, 2018, the Company obtained an ARS 13 million ($0.5 million) working capital loan from CMS de Argentina S.A. (the "CMS Working Capital Loan"). The CMS Working Capital Loan bears interest at a rate of 63% per annum, calculated and paid monthly, and will be repaid in one installment in September 2018.

On July 27, 2018, the Company obtained a $2 million working capital loan from Banco Macro (the "Macro Working Capital Loan"). The Macro Working Capital Loan is secured against certain accounts receivable to a maximum of $2 million that will be applied against the loan when collected. The Macro Working Capital Loan bears interest at a rate of 7% per annum, calculated and paid monthly, and will be repaid in one installment in September 2018.