CROWN POINT ENERGY INC.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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
April 1, 2019

Independent auditor's report

To the Shareholders of Crown Point Energy Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Crown Point Energy Inc. and its subsidiaries, (together, the Company) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of income (loss) and comprehensive income (loss) for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of changes in cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on March 21, 2018.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Khurram Asghar.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta, Canada
April 1, 2019

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

	2018	2017
Assets		
Current assets:		
Cash	$ 2,194,072	$ 720,649
Trade and other receivables (Note 6)	12,029,153	1,490,466
Inventory	-	1,190,402
Prepaid expenses and other current assets (Note 7)	2,121,612	1,269,962
Deposits	-	215,000
	16,344,837	4,886,479
Exploration and evaluation assets (Note 8)	9,032,994	6,013,387
Property and equipment (Note 9)	54,750,958	23,198,458
Other non-current assets (Note 10)	3,268	6,758,046
Goodwill (Note 5)	4,996,568	-
	$ 85,128,625	$ 40,856,370
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 8,299,835	$ 2,395,679
Current taxes payable (Note 21)	5,406,520	812,231
Bank debt (Note 11)	1,700,000	812,208
Current portion of contingent liability (Note 12)	2,321,930	-
Current portion of decommissioning provision (Note 13)	179,544	180,708
	17,907,829	4,200,826
Contingent liability (Note 12)	4,744,616	-
Decommissioning provision (Note 13)	6,834,757	3,802,837
Deferred tax liability (Note 21)	7,329,504	2,103,000
	36,816,706	10,106,663
Shareholders’ equity:		
Share capital (Note 14)	131,745,215	119,982,644
Contributed surplus	6,887,166	6,887,166
Accumulated other comprehensive loss	(18,432,797)	(18,266,601)
Deficit	(71,887,665)	(77,853,502)
	48,311,919	30,749,707
	$ 85,128,625	$ 40,856,370

Commitments (Note 26)
Arbitration Ruling and Exercise of Rights of First Refusal (Note 27)
Subsequent event (Note 28)

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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
For the years ended December 31
(United States Dollars)

		2018		2017
Revenue				
Oil and natural gas sales (Note 17)	$	48,667,242	$	12,986,821
Export tax (Note 18)		(1,872,814)		-
Royalties		(8,072,307)		(2,406,192)
		38,722,121		10,580,629
Expenses				
Operating		11,468,282		5,277,470
General and administrative		2,466,052		3,067,698
Depletion and depreciation		11,992,141		5,452,231
Transaction costs (Note 5)		153,405		264,630
Fair value adjustment of contingent liability (Note 12)		1,404,858		-
Foreign exchange gain		48,027		(27,102)
		27,532,765		14,034,927
Operating income (loss)		11,189,356		(3,454,298)
Net finance expense (Note 19)		(1,162,234)		(566,143)
Other income (Note 20)		-		3,606,407
Income (loss) before taxes		10,027,122		(414,034)
Tax expense (Note 21)		(4,061,285)		(1,131,231)
Net income (loss)		5,965,837		(1,545,265)
Exchange differences on translation of the Canadian parent company		(166,196)		(237,995)
Comprehensive income (loss)	$	5,799,641	$	(1,783,260)
Net income (loss) per share - basic and diluted (Note 16)	$	0.10	$	(0.08)

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)

		2018		2017
Share capital				
Balance, January 1	$	119,982,644	$	116,003,355
Issuance of share capital, net of costs (Note 14)		11,762,571		3,979,289
Balance, December 31		131,745,215		119,982,644
Contributed surplus				
Balance, January 1 and December 31		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		(166,196)		(237,995)
Balance, December 31		(18,432,797)		(18,266,601)
Deficit				
Balance, January 1		(77,853,502)		(76,308,237)
Net income (loss)		5,965,837		(1,545,265)
Balance, December 31		(71,887,665)		(77,853,502)
Total shareholders' equity	$	48,311,919	$	30,749,707

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)

	2018	2017
Operating activities:		
Net income (loss)	$ 5,965,837	$ (1,545,265)
Items not affecting cash:		
Depletion and depreciation	11,992,141	5,452,231
Fair value adjustment of contingent liability (Note 12)	1,404,858	-
Unrealized foreign exchange gain	(18,460)	(390,973)
Finance expense (Note 19)	429,709	481,273
Other income (Note 20)	-	(2,372,147)
Tax expense (Note 21)	(553,296)	319,000
Short-term bond proceeds	-	2,368,865
Decommissioning expenditures (Note 13)	(25,485)	(25,119)
	19,195,304	4,287,865
Change in non-cash working capital (Note 22)	2,440,227	445,458
Net cash from operating activities	21,635,531	4,733,323
Financing activities:		
Bank debt proceeds (Note 11)	16,013,694	1,134,246
Bank debt repayment (Note 11)	(14,968,726)	(2,446,907)
Proceeds from return of deposits (Note 11)	215,000	1,080,000
Proceeds from share issuance, net of costs (Note 14)	11,762,571	3,979,289
Interest expense (Note 19)	(294,015)	(387,198)
Net cash from financing activities	12,728,524	3,359,430
Investing activities:		
Exploration and evaluation - expenditures (Note 8)	(3,028,110)	(2,248,367)
Property and equipment - expenditures (Note 9)	(6,348,878)	(65,749)
Property and equipment - proceeds from disposition	-	26,347
Acquisition of St. Patrick Oil & Gas S.A., net of cash acquired (Note 5)	(21,744,682)	(6,750,000)
Settlement of contingent liability (Note 12)	(353,812)	-
Change in other non-current assets	(55,858)	741,204
Change in non-cash working capital (Note 22)	(1,032,359)	319,331
Net cash used in investing activities	(32,563,699)	(7,977,234)
Change in cash	1,800,356	115,519
Foreign exchange effect on cash held in foreign currencies	(326,933)	83,945
Cash, January 1	720,649	521,185
Cash, December 31	$ 2,194,072	$ 720,649

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.

As at December 31, 2018, Liminar Energía S.A. ("Liminar"), the Company's largest shareholder, owned approximately 59.5% of the Company's issued and outstanding common shares.

2. BASIS OF PRESENTATION:

(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 April 1, 2019.

(b) Basis of measurement

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

(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. ("CanAmericas"), Crown Point Energía S.A. ("Crown Point Energía") and St. Patrick 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 20.

- 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.

- Business combination

  Management's determination of whether a transaction constitutes a business combination or asset acquisition is determined based on the criteria in IFRS 3 Business Combinations. Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property and equipment and exploration and evaluation assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices, and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment or reversal, or goodwill impairment.

- 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 dispose.

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 13.

- 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 21.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Consolidation

Subsidiaries

These consolidated financial statements include the accounts of the Company and its wholly owned Argentine subsidiaries, CanAmericas, Crown Point Energía and St. Patrick.

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. Acquisition costs incurred are expensed.

Joint operations

The Company's oil and natural gas activities involve jointly operations. The consolidated financial statements include the Company's share of the 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

Cash consist of cash deposits held in Canadian and Argentine banks.

(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, export tax and the appropriate proportion of depletion and depreciation. 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 dispose. 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 dispose 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 dispose 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 CGU's recoverable amount is the higher of its fair value less costs to dispose 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 dispose 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 dispose 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 first allocated to reduce the carrying amount of goodwill, should it exist, then allocated on a pro rata basis to the assets within the CGU. Impairment losses are recognized in profit or loss.

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. An impairment loss in respect of goodwill is not reversed.

(g) Goodwill

The Company records goodwill relating to a business combination when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. Goodwill is reported at cost less ay impairment and is not amortized. Goodwill is evaluated when facts and circumstances indicate that it is impaired, or at least on an annual basis.

To test for impairment, goodwill is allocated to the related CGU or the operating segment expected to benefit from the acquisition. Goodwill is tested by comparing the carrying amount of the CGU to the recoverable amount. Fair value less costs of disposal is derived by estimating the discounted after-tax future net cash flows as described in the property and equipment impairment test, plus the fair market value of undeveloped land, seismic and inventory. Value in use is assessed using the present value of the expected future cash flows. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Goodwill impairments are not reversed.

(h) 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 does not expire and may be carried forward indefinitely.

(i) 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.

(j) 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.

(k) Financial instruments

As of January 1, 2018, the Company classifies its financial instruments in the following measurement categories:

- subsequently measured at fair value (either through profit or loss ("FVTPL") or other comprehensive income ("FVOCI"); and
- subsequently measured at amortized cost.

The classification depends on the Company's business model for managing the financial instruments and the contractual terms of the cash flows. There was no change in the categorization of the Company's financial instruments upon the adoption of IFRS 9.

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, trade and other receivables, other non-current assets, trade and other payables, bank debt and contingent liability. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at FVTPL, any directly attributable transaction costs. Transaction costs of financial assets measured at FVPL are expensed in profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

- Financial assets at FVTPL

  Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. A financial asset is classified at FVPL unless it is measured at amortized cost or classified as FVOCI. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVPL to present subsequent changes in

FVOCI with no reclassification of realized gains or losses to profit or loss upon derecognition of the equity instruments.

- Financial liabilities at FVTPL

  The Company classifies the contingent liability as FVTPL. A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

  Financial liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

  A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

- Financial assets at FVOCI

  Financial assets at FVOCI are measured at fair value, and changes therein are recognized in other comprehensive income. A financial asset is classified as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial instruments at amortized cost

  The Company classifies cash, trade and other receivables and other non-current assets (non-derivative financial assets with fixed or determinable payments that are not quoted in an active market) and trade and other payables and bank debt as financial instruments at amortized cost. These financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Any gain or loss arising on de-recognition is recognized directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

Derivative financial instruments

The Company has not entered into any financial derivative contracts.

(a) Impairment of financial instruments

As of January 1, 2018, the Company assesses, on a forward looking basis, the expected credit losses associated with financial instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Company applied the simplified approach permitted by IFRS 9 Financial Instruments (“IFRS 9”).

The Company retrospectively adopted IFRS 9 on January 1, 2018, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company’s previous accounting policy:

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 the statement of loss and comprehensive loss. 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 the statement of loss and comprehensive loss.

(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

The Company recognizes revenue from the sale of oil and natural gas when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipeline or other transportation method agreed upon. Sales of oil and natural gas are based on variable pricing based on benchmark commodity prices and other variable factors including quality, location and other factors.

(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

Adoption of IFRS 9 Financial Instruments

On January 1, 2018, the Company retrospectively adopted IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 29") and 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 consolidated 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 6.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI, and FVTPL. The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the Company's business model for managing the financial asset. Additionally, embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9. Instead, the entire hybrid contract is assessed for classification and measurement. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The differences between the two standards did not impact the Company at the time of transition.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category (1) (2)	
Financial instrument	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Other non-current assets	Loans and receivables	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Bank debt	Amortized cost	Amortized cost
Contingent liability	FVTPL	FVTPL

(1) There were no adjustments to the carrying amounts of financial instruments as a result of the classification change from IAS 39 to IFRS 9.
(2) The Company has no contract assets or debt investments measured at FVOCI.

Adoption of IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") using the modified retrospective method of adoption. The adoption of IFRS 15 did not have a material impact on the Company's 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 17.

For the comparative year, prior to the adoption of IFRS 15, the Company's revenue accounting policy was:

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

(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 16 Leases

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16") 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.

IFRS 16 will result in almost all leases being recognized in the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right-to-use the leased item) and a financial liability are recognized. On initial adoption, the Company anticipates that it will elect to use the following practical expedients permitted under the standard:

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

IFRS 16 is effective for periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 and the extent of the impact on its consolidated financial statements has not been 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, 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, 2018 and 2017, the fair value of these balances approximated their carrying amount due to their short term to maturity.

The fair values of bank debt and the contingent liability are based on the discounted present value of future cash flows and approximate carrying amounts.

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 is a Level 1 financial asset.

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. Bank debt is a 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. The contingent liability is a Level 3 financial instrument.

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. ACQUISITION OF ST. PATRICK OIL & GAS S.A.

On June 7, 2018, the Company closed the acquisition (the "Acquisition") of all of the issued and outstanding shares of St. Patrick Oil & Gas S.A. ("St. Patrick"), formerly named Apco Austral S.A., from a third party (the "Vendor") 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 9). In addition, the Company paid $4.4 million of withholding taxes to Argentine tax authorities pursuant to the provisions of the share purchase agreements entered into in connection with the Acquisition.

St. Patrick holds a 25.7796% participating interest (the "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. As disclosed in Note 27, the Company was subject to arbitration proceedings which resulted in all of the other UTE Partners exercising their right of first refusal (the "ROFR Sale") to acquire their proportionate share of St. Patrick's Participating Interest in the TDF Concessions. If the ROFR Sale proceeds and all of the other UTE Partners acquire their proportionate share of St. Patrick's Participating Interest in the TDF Concessions, the Company's collective participating interest in the TDF Concessions will decrease from 51.56% to 34.73%.

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:	Preliminary Fair Values	Change	Final Fair Values
Cash	$ 4,301,368	$ –	$ 4,301,368
Non-cash working capital	1,715,300	–	1,715,300
Property and equipment	25,280,400	10,343,400	35,623,800
Goodwill	4,827,660	168,908	4,996,568
Non-current liabilities	(56,684)	–	(56,684)
Decommissioning provision	(1,989,000)	–	(1,989,000)
Deferred tax liability	(3,952,800)	(1,827,000)	(5,779,800)
	$ 30,126,244	$ 8,685,308	$ 38,811,552
Consideration:			
Cash	$ 28,363,144	$ 4,432,908	$ 32,796,052
Contingent liability (Note 12)	1,763,100	4,252,400	6,015,500
	$ 30,126,244	$ 8,685,308	$ 38,811,552

The preliminary estimates of fair value were made by management at the time of the closing of the Acquisition based on available information at that time. Subsequently, the Company received an updated estimation of the fair value of its oil and natural gas reserves reported on by independent engineers which formed the basis for the final fair value of property and equipment the contingent liability portion of consideration. In addition, the Company included the $4.4 million of withholding taxes as part of cash consideration which had previously been expensed as transaction costs. As a result, the Company adjusted the preliminary fair value of net assets acquired upon the finalization of fair values and consideration.

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. The recoverable amount of goodwill at December 31, 2018 was determined as the fair value less costs of disposal using a discounted cash flow method and was assessed at the corporate level. The Company's key assumptions used in determining the fair value less costs of disposal include discounted net present value of the estimated future cash flows expected to arise from the continued use of the CGU using a 13% discount rate. The impairment test of goodwill at December 31, 2018 concluded that the estimated recoverable amount exceeded the carrying amount. As such, there is no goodwill impairment

During 2018, the Company incurred $153,405 of costs related to the Acquisition (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 $19.1 million of oil and gas revenue and $10.4 million of operating income (oil and gas revenue less royalties and operating expenses). Had the Acquisition occurred on January 1, 2018, the Company estimates that revenue from oil and gas sales would have increased by approximately $6.2 million to $54.9 million and operating income would have increased by approximately $4.1 million to $12.6 million. The pro forma information is not necessarily representative of future revenue and operations.

6. TRADE AND OTHER RECEIVABLES:

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

Three major purchasers that represent 100% of oil revenue reported in 2018 comprise $5,761,907 of accounts receivable at December 31, 2018 (2017 – $42,380) and three major purchasers that represent 70% of natural gas revenue reported in 2018 comprise $1,821,186 of accounts receivable at December 31, 2018 (2017 – $962,146) (Note 17).

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 December 31, 2018 in relation to trade and other receivables acquired from St. Patrick (Note 5).

The Company's maximum exposure to credit risk at December 31, 2018 is in respect of $12,029,153 (2017 – $1,490,466) of trade and other receivables. The Company's trade and other receivables consist of:

	2018	2017
Due from Argentine companies	$ 6,403,669	$ 1,695,207
Due from an international company	5,761,907	–
Other receivables	133,931	45,063
Allowance for credit losses	(270,354)	(249,804)
Total trade and other receivables	$ 12,029,153	$ 1,490,466

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

	2018	2017
Not past due (less than 90 days)	$ 10,032,806	$ 1,407,083
Past due (more than 90 days)	2,266,701	333,187
	12,299,507	1,740,270
Allowance for credit losses	(270,354)	(249,804)
Total trade and other receivables	$ 12,029,153	$ 1,490,466

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

	2018	2017
Prepaid expenses	$ 988,244	$ 1,260,114
Value Added Tax	1,133,368	9,848
	$ 2,121,612	$ 1,269,962

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

		2018		2017
Carrying amount, beginning of year	$	6,013,387	$	6,336,658
Additions		3,028,110		2,248,367
Decommissioning revisions (Note 13)		(8,503)		(3,072)
Transfer to D&P assets (Note 9)		–		(2,568,566)
Carrying amount, end of year	$	9,032,994	$	6,013,387

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.

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.

9. PROPERTY AND EQUIPMENT:

	Argentina		Canada	
	Development and Production Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$
Balance at December 31, 2016	50,283,118	661,656	261,518	51,206,292
Additions	35,796	29,953	–	65,749
Transfer from E&E assets (Note 8)	2,568,566	–	–	2,568,566
Decommissioning revisions (Note 13)	(82,689)	–	–	(82,689)
Disposition	–	(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
Acquisition (Note 5)	35,616,816	6,984	–	35,623,800
Additions	6,262,715	69,510	16,653	6,348,878
Decommissioning revisions (Note 13)	940,050	–	–	940,050
Effect of change in exchange rates	–	–	(22,607)	(22,607)
Balance at December 31, 2018	95,624,372	427,987	273,330	96,325,689
Accumulated depletion and depreciation:				
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	–	(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
Depletion and depreciation	11,295,823	57,065	6,504	11,359,392
Effect of change in exchange rates	–	–	(21,771)	(21,771)
Balance at December 31, 2018	40,977,688	338,255	258,788	41,574,731
Net carrying amount:				
At December 31, 2017	23,122,926	70,303	5,229	23,198,458
At December 31, 2018	54,646,684	89,732	14,542	54,750,958

Future development costs:

The depletion expense calculation for the year ended December 31, 2018 included $29.8 million (2017 – $26.2 million) for estimated future development costs associated with proved and probable reserves in Argentina.

10. OTHER NON-CURRENT ASSETS:

		2018		2017
Long-term receivables	$	3,268	$	8,046
Interest-bearing bonds		–		23,833
Acquisition deposit (Note 5)		–		6,750,000
		3,268		6,781,879
Current portion of interest-bearing bonds included in trade and other receivables		–		(23,833)
Total non-current assets	$	3,268	$	6,758,046

11. BANK DEBT:

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

		2018		2017
Balance, beginning of year	$	812,208	$	2,376,639
Proceeds		16,013,694		1,134,246
Repayment		(14,968,726)		(2,446,907)
Effect of change in exchange rates		(157,176)		(251,770)
Balance, end of year	$	1,700,000	$	812,208

Bank debt as at December 31, 2018 and 2017 is classified as a current liability and is comprised of the following:

		2018		2017
Loan facility (a)	$	–	$	351,172
Loan facility (b)		–		461,036
Loan facility (l)		1,700,000		–
	$	1,700,000	$	812,208

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

On July 17, 2015, the Company drew ARS 9,500,000 ($1,038,512) of proceeds under the loan facility obtained with HSBC Argentina on 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 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).

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

(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 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.

(f) On June 7, 2018, the Company obtained a $2.9 million loan facility from Banco Hipotecario (the "Acquisition Loan"). The Acquisition Loan was secured against certain accounts receivable to a maximum of $2.9 million that were applied against the loan when collected. The Acquisition Loan bore interest at a rate of 8% per annum, calculated and paid monthly, and was repaid in November and December 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 5). Personal loan guarantees were provided by two individuals as disclosed in Note 24(d).

(g) On June 7, 2018, the Company obtained a $7.5 million bridge loan facility at an interest rate of 8% per annum from Banco Macro (the "Bridge Loan") which was repaid on June 27, 2018. The Bridge Loan was secured against certain accounts receivable to a maximum of $3.0 million that were applied against the loan when collected. The Bridge Loan proceeds were used to pay a portion of the purchase price for the Acquisition (Note 5). Personal loan guarantees were provided by two individuals as disclosed in Note 24(d).

(h) On June 19, 2018, the Company obtained a $1.1 million loan from Banco Hipotecario (the "Working Capital Loan"). The Working Capital Loan bore interest at a rate of 8% per annum, calculated and paid monthly, and was repaid 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 24(d).

(i) 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 bore interest at a rate of 63% per annum, calculated and paid monthly, and was repaid on August 31, 2018.

(j) On July 27, 2018, the Company obtained a $2 million loan facility from Banco Macro (the "Macro Working Capital Loan") secured by certain of the Company's accounts receivable to a maximum of $2 million applied against the loan when collected. The Macro Working Capital Loan bore interest at a rate of 7% per annum from the disbursement date to August 24, 2018 and at a rate of 10.5% per annum from August 24, 2018 to the date of repayment, calculated and paid monthly. The Macro Working Capital Loan was repaid in September 2018. Personal loan guarantees were provided by two individuals as disclosed in Note 24(d).

(k) On August 30, 2018, the Company obtained an ARS 13 million ($0.3 million) overdraft agreement with Banco Saenz (the "Banco Saenz Overdraft") at an interest of 65% per annum, calculated and paid monthly. The Banco Saenz Overdraft was repaid on September 26, 2018. A loan guarantee was provided by ST Inversiones S.A. as disclosed in Note 24(c).

(l) On December 7, 2018, the Company obtained a $1.7 million loan facility from Banco Macro (the "2nd Macro Working Capital Loan") secured by certain of the Company's accounts receivable to a maximum of $1.7 million applied against the loan when collected. The 2nd Macro Working Capital Loan bears interest at a rate of 6.75%

per annum, calculated and paid monthly, and is repayable on or before February 5, 2019. Personal loan guarantees were provided by two individuals as disclosed in Note 24(d). The loan was repaid on January 10, 2019 (Note 28).

12. CONTINGENT LIABILITY:

On June 7, 2018, the Company recognized a liability of $2,583,000 representing the estimated fair value of contingent royalty payments associated with the Acquisition (Note 5). 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 St. Patrick from its Participating Interest in the TDF Concessions for the quarter exceeds certain base net revenue thresholds for such quarter. If in any quarter the net revenues received by St. Patrick do not exceed the base net revenue threshold for that quarter, then no royalty payment will be payable.

A reconciliation of the contingent liability as at December 31, 2018 is provided below:

Balance, December 31, 2017	$	–
Acquisition (Note 5)		6,015,500
Cash settlement		(353,812)
Fair value adjustment		1,404,858
Balance, December 31, 2018	$	7,066,546
Current portion of contingent liability		(2,321,930)
Long-term portion of contingent liability	$	4,744,616

The fair value of the contingent liability as at December 31, 2018 was estimated using the Black-Scholes pricing model based on net revenue volatility of 66% to 77% and a risk-free rate of 2.67% to 2.83%, over a term of 8 years. A 10% increase (decrease) in volatility rates would increase (decrease) the fair value of the contingent liability by approximately $98,000 ($33,000).

13. 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, 2018 the estimated total undiscounted inflation-adjusted amount of cash flows required to settle the Company's obligations were approximately $8.6 million (2017 – $4.8 million). These costs are expected to be incurred over the next 8 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 2.8% (2017 – 2.4%) and an inflation rate of 2.4% (2017 – 2.1%) was used to calculate the fair value of the decommissioning provision.

A reconciliation of the decommissioning provision is provided below:

		2018		2017
Balance, beginning of year	$	3,983,545	$	4,000,350
Acquisition (Note 5)		1,989,000		–
Additions		40,191		40,446
Accretion		135,694		94,075
Expenditures		(25,485)		(25,119)
Revisions		891,356		(126,207)
Balance, end of year		7,014,301		3,983,545
Current portion of decommissioning provision		(179,544)		(180,708)
Long-term portion of decommissioning provision	$	6,834,757	$	3,802,837

14. 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.

	Number of common shares		Amount
Balance, December 31, 2016	16,451,522	$	116,003,355
Rights offering (i)	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
Rights offering (ii)	40,000,000		12,000,000
Share issue costs	–		(237,429)
Balance, December 31, 2018	72,903,038	$	131,745,215

(i) On October 23, 2017, the Company completed a rights offering (the "2017 Rights Offering"), pursuant to which the Company issued 16,451,522 common shares for gross proceeds of $4.1 million (CAD $5.2 million). Liminar acquired an aggregate of 10,717,815 common shares issued in connection with the 2017 Rights Offering (Note 24(g)).

(ii) On May 23, 2018, the Company closed a rights offering (the "2018 Rights Offering"), pursuant to which the Company issued 40,000,000 common shares for gross proceeds of $12 million. Liminar acquired an aggregate of 26,666,667 common shares in connection with the 2018 Rights Offering (Note 24(g)).

15. STOCK OPTIONS:

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 for the years ended December 31, 2018 and 2017 is summarized as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
Balance, beginning of year	158,250	$ 5.20	364,500	$ 6.10
Expired	(117,250)	(3.98)	(206,250)	(6.70)
Balance, end of year	41,000	$ 8.70	158,250	$ 5.20
Exercisable, end of year	41,000	$ 8.70	158,250	$ 5.20

All stock options outstanding and exercisable at December 31, 2018 expire on May 9, 2019.

16. PER SHARE AMOUNTS:

	2018	2017
Net income (loss)	$ 5,965,837	$ (1,545,265)
Opening number of post-consolidation shares (Note 14(b))	32,903,038	16,451,522
Effect of shares issued (Note 14(b))	25,306,132	3,110,014
Basic weighted average number of shares	58,209,170	19,561,536
Net income (loss) per share	$ 0.10	$ (0.08)

For the years ended December 31, 2018 and 2017, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

17. OIL AND NATURAL GAS SALES:

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

	2018	2017
Oil	$ 34,817,624	$ 3,515,123
Natural gas	13,757,434	9,334,125
Natural gas liquids	92,184	137,573
	$ 48,667,242	$ 12,986,821

All of the Company's production is produced in Argentina. 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. 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. For oil transported by tanker, delivery charges are free on board; for oil transported by truck, delivery charges are paid by the Company.
- Natural gas is sold to the Argentine industrial and residential markets. 93% of the Company's natural gas revenue earned in 2018 was from sales to the industrial market (2017 – 85% 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.

All of the Company's revenue from oil sales earned in 2018 was for export sales to three purchasers (2017 – domestic sales to one purchaser), of which $5,761,907 was in accounts receivable at December 31, 2018 (2017 – $42,380).

All of the Company's revenue from natural gas sales earned in 2018 was for domestic sales, of which 75% was to four major purchasers (2017 – domestic sales of which 79% was to three major purchasers), of which $2,654,566 was in accounts receivable at December 31, 2018 (2017 – $962,146).

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

	2018	2017
Export	$ 34,817,624	$ –
Domestic	13,849,618	12,986,821
	$ 48,667,242	$ 12,986,821

18. EXPORT TAX:

In September 2018, the Government of Argentina imposed a 12% export tax on all goods exported from Argentina, to a maximum of 4 ARS per 1 USD of export sales revenue. During 2018, the Company recognized $1,872,814 of export tax related to oil sales to the export market for the period from September 1, 2018 to December 31, 2018.

19. NET FINANCE EXPENSE:

		2018		2017
Interest income	$	85,314	$	265,766
Financing fees and bank charges		(817,839)		(350,636)
Interest on bank debt (11)		(294,015)		(387,198)
Accretion of decommissioning provision (Note 13)		(135,694)		(94,075)
	$	(1,162,234)	$	(566,143)

20. OTHER INCOME:

		2018		2017
Oil Incentive Program (a)	$	–	$	56,530
Petróleo Plus Program (b)		–		1,874,376
New Gas Incentive Program (c)		–		1,660,485
Gain on disposition of short-term bonds (d)		–		11,734
Gain on disposition of property and equipment		–		3,282
	$	–	$	3,606,407

(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 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 BONAR 2020 bonds with a carrying value of $2,984,131 for net proceeds of $2,995,865 and recognized a gain of $11,734, of which $626,251 of BONAR 2020 bonds were sold to Banco de Servicios y Transacciones S.A. (“BST”) for proceeds of $624,800 (Note 24(b)). The Company and BST share a common director, Pablo Peralta, who also controls significant shareholdings in both companies.

21. TAXES:

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

		2018		2017
Canadian statutory rate		27%		27%
Current tax expense (reduction) at statutory rates	$	2,707,323	$	(111,788)
Non-deductible (non-taxable) items and other		692,529		(184,325)
Effect of tax rate differences		314,015		(58,658)
Effect of tax return filings		(40,939)		(8,028)
Foreign exchange		1,815,378		637,350
Change in unrecognized deferred tax assets		(1,427,021)		856,680
Tax provision	$	4,061,285	$	1,131,231

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

		2018		2017
Current tax expense	$	4,614,581	$	812,231
Deferred tax (recovery) provision		(553,296)		319,000
Tax provision	$	4,061,285	$	1,131,231

Current tax expense is related to taxable income in Argentina generated by the Company's Argentine subsidiaries, Crown Point Energía S.A. and St. Patrick.

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

		2018		2017
Property and equipment and E&E assets	$	(12,483,127)	$	(3,759,073)
Contingent liability		2,120,314		–
Decommissioning obligation		2,104,290		1,195,064
Foreign exchange and other		929,019		461,009
Deferred tax liability	$	(7,329,504)	$	(2,103,000)

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:

		2018		2017
Property and equipment and E&E assets	$	4,348,759	$	4,712,200
Non-capital loss carry forwards		19,247,959		20,494,822
Share issue costs		268,796		184,296
Foreign exchange and other		1,728,133		5,262,904
	$	25,593,647	$	30,654,222

As at December 31, 2018, the Company has approximately $19.2 million (2017 – $20.5 million) of non-capital losses in Canada available to reduce taxable income. The Canadian non-capital losses expire at various times between 2028 and 2039.

The Company has temporary differences associated with its investments in its foreign subsidiaries. At December 31, 2018 and 2017, the Company has no deferred tax liabilities in respect of these temporary differences.

22. SUPPLEMENTAL CASH FLOW INFORMATION:

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

For the years ended December 31		2018		2017
Trade and other receivables	$	(5,907,764)	$	943,591
Inventory		1,167,078		(564,843)
Prepaid expenses		(360,119)		(490,944)
Trade and other payables		3,578,270		87,143
Current taxes payable		2,903,596		812,231
Effect of change in exchange rates		26,807		(22,389)
	$	1,407,868	$	764,789
Attributable to:				
Operating activities	$	2,440,227	$	445,458
Investing activities		(1,032,359)		319,331
	$	1,407,868	$	764,789

(b) As at December 31, 2018, the Company held $2,194,072 (2017 – $720,649) of cash in Canadian and Argentine banks.

(c) During 2018, the Company paid $294,015 (2017 – $387,198) of interest expense on bank debt (Note 11).

(d) During 2018, the Company paid $812,321 (ARS 15,563,979) of income taxes to Argentine tax authorities in respect of 2017 current tax expense. The Company did not make any income tax payments in 2017.

23. 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 $935,816 of salaries and benefits for employees and executive management which are included in general and administrative expenses for the year ended December 31, 2018 (2017 – $1,570,750).

(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, 2018, key management personnel included 7 individuals (2017 – 8 individuals) and the related compensation recognized in the consolidated statement of loss and comprehensive loss comprised the following:

		2018		2017
Salaries and benefits	$	357,417	$	382,171
Director fees		108,254		123,804
	$	465,671	$	505,975

24. RELATED PARTY TRANSACTIONS:

(a) During 2018, the Tierra del Fuego UTE (of which the Company is a member) sold a portion of natural gas production to Energía y Soluciones S.A., a company controlled by Gabriel Obrador, who is a director of the Company, for which the Company recognized $233,663 (ARS 7,277,467) (2017 – $317,609 (ARS 5,205,039)) of oil and gas revenue for its working interest share. Included in trade and other receivables as at December 31, 2018 is $23,045 (ARS 864,431) (2017 – $21,435 (ARS 399,786)) in respect of this revenue.

(b) During 2017, the Company sold BONAR 2020 bonds with a carrying value of $626,251 to BST for net proceeds of $624,800 and repurchased these bonds from BST for $627,000 (Note 20). The Company and BST share a common director, Pablo Peralta, who also controls significant shareholdings in both companies.

(c) In connection with the final short form prospectus for the 2018 Rights Offering (Note 14), 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 5).

The Company obtained the Acquisition Loan, the Bridge Loan, the Working Capital Loan and Macro Working Capital 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, the Working Capital Loan, the Macro Working Capital Loan and the 2nd Macro 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. During 2018, the Company recognized $152,832 of loan guarantee fees, of which $104,382 was paid on July 27, 2018. Subsequent payments will be made annually on the anniversary date of the first payment.

(e) During 2018, the Company paid a $3,340 loan guarantee fee to ST Inversiones S.A. in relation to the guarantee of the Banco Saenz Overdraft (Note 11(k)). Messrs. Peralta and Domínguez jointly control 100% of the voting shares of ST Inversiones S.A.

(f) During 2018, the Company paid $30,342 of interest to CMS de Argentina S.A.in respect of the CMS Working Capital Loan (Note 11(i)). Messrs Peralta and Dominguez jointly control 66% of the voting shares of CMS de Argentina S.A.

(g) During 2018, Liminar acquired an aggregate of 26,666,667 common shares of the Company for gross proceeds of $8 million (2017 – 10,717,815 common shares for gross proceeds of $2.7 million) (Note 14).

(h) During 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 5). The $216,131 fee is included in transaction costs for the year ended December 31, 2017.

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

25. 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.

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, trade and other receivables, interest-bearing bonds included in other non-current assets and the deposit.

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

The Company's trade and other receivables include amounts due from the sale of crude oil and natural gas. See Note 6.

(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, 2018, the Company has working capital deficit of $1,562,992 which includes $14,223,225 of financial assets comprised of cash and trade and other receivables and $17,728,285 of financial liabilities with a contractual maturity of less than one year. During the year ended December 31, 2018, the Company reported net cash from operating activities in the amount of $21,635,531.

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.

(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. All of the Company's oil and gas revenue is from Argentina. For the year ended December 31, 2018, a 5% change in the commodity prices earned by the Company would change oil and gas revenue by approximately $2.5 million (2017 – approximately $0.7 million) and net income (loss) by approximately $1.3 million (2017 – $0.4 million).

(ii) Interest rate risk

The Company is not exposed to interest rate fluctuations at December 31, 2018 as there are no investments of excess cash in short-term money market investments held with international banks and its 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 is 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, 2018	Balance denominated in				Total USD equivalents	
		CAD		ARS		
Cash	$	24,155	$	69,764,233	$	1,870,674
Trade and other receivables	$	10,217	$	53,841,131	$	1,437,532
Trade and other payables	$	(200,016)	$	(117,615,405)	$	(3,270,527)
Current taxes payable	$	–	$	(203,555,468)	$	(5,406,520)

As at December 31, 2017	Balance denominated in				Total USD equivalents	
		CAD		ARS		
Cash	$	88,024	$	11,858,207	$	688,930
Trade and other receivables	$	16,476	$	4,985,325	$	273,272
Trade and other payables	$	(446,078)	$	(29,284,517)	$	(1,883,070)
Current taxes payable	$	–	$	(15,563,979)	$	(812,231)
Bank debt	$	–	$	(6,726,166)	$	(351,172)

(iv) Currency devaluation:

Exchange rates as at December 31	2018 [(1)]	2017 [(1)]
CAD to USD	0.7330	0.7954
ARS to USD	0.0266	0.0522
USD to ARS	37.6500	19.1620

[(1)] Source Canadian Forex Exchange

Currency devaluation in Argentina impacts the cost of ARS denominated items which are translated to the USD functional currency of the Argentine subsidiaries. A portion of Tierra del Fuego ("TDF") concession operating costs and general and administrative expenses incurred in Argentina are denominated in ARS. During 2018, the devaluation of ARS resulted in lower TDF operating costs and general and administrative expenses incurred in Argentina by approximately 33% (2017 – devaluation of ARS; lower by approximately 9%).

During 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 $2.6 million (2017 – devaluation of ARS; reduction by approximately $174,000).

During 2018, the devaluation of ARS since the previous year end date resulted in a decrease in the USD equivalent of ARS denominated bank debt by $157,176 (2017 – devaluation of ARS; reduction by approximately $251,770) (Note 11).

(v) 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, 2018 and 2017:

Market risk	Change in exchange rates		2018		2017
Foreign exchange - effect of strengthening USD:					
CAD denominated financial assets and liabilities	5%	$	6,070	$	13,580
ARS denominated financial assets and liabilities	10%	$	455,690	$	181,320

26. 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
Rio Cullen	Until August 2026	$0.92 million, none of which was spent as of December 31, 2018

(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 October 22, 2019 [2][3]	A minimum of approximately $4.6 million in expenditures plus a minimum of 2 exploration wells at an estimated cost of $3.7 million. $3 million of expenditures had been incurred as of December 31, 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.

[3] On March 13, 2019, the government of Mendoza Province issued Resolution N°119 pursuant to which the Company was granted an extension for the second exploration period to October 22, 2019 to provide the Company additional time to drill the exploration well that was originally committed, on the condition that the Company commit to drill one additional exploration well.

(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 $1,000 and $1,725, respectively.

27. ARBITRATION RULING AND EXERCISE OF RIGHTS OF FIRST REFUSAL:

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

In December 2018, the arbitration tribunal ordered St. Patrick and the Vendor to comply with the provisions of the UTE Agreement that grant the ROFR to acquire St. Patrick's Participating Interest in the TDF Concessions to the other UTE Partners. In compliance with the arbitration tribunal's decision, St. Patrick subsequently provided notice to its UTE Partners of the indirect transfer of St. Patrick's Participating Interest in the TDF Concessions that resulted from Crown

Point's acquisition of St. Patrick. The deadline to exercise the ROFRs has now passed and all of St. Patrick's UTE Partners have exercised their ROFRs to acquire their proportionate share of St. Patrick's Participating Interest in the TDF Concessions (the "ROFR Sale"). Pursuant to the UTE Agreement, St. Patrick and the Vendor have until April 17, 2019 to negotiate the terms and conditions of a mutually acceptable purchase and sale agreement with the other UTE Partners to complete the ROFR Sale. If the ROFR Sale proceeds and all of the other UTE Partners acquire their proportionate share of St. Patrick's Participating Interest in the TDF Concessions, the Company's collective participating interest in the TDF Concessions will decrease from 51.56% to 34.73%.

28. SUBSEQUENT EVENT:

The Company repaid the 2nd Macro Working Capital Loan (Note 11(l)) on January 10, 2019.