CROWN POINT ENERGY INC.
Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020
(Unaudited)

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

As at	Note	September 30 2020	December 31 2019
Assets			
Current assets:			
Cash		$ 1,795,505	$ 2,695,803
Trade and other receivables	3	913,579	2,766,159
Oil inventory		1,029,184	1,031,685
Prepaid expenses and other current assets	4	2,802,414	2,967,728
Current portion of contingent consideration receivable	8(b)	70,116	732,649
		6,610,798	10,194,024
Exploration and evaluation assets	5	11,153,047	10,920,359
Property and equipment	6, 11(a)	19,208,135	31,151,688
Goodwill	11(b)	-	1,735,549
Contingent consideration receivable	8(b)	-	1,634,740
Other non-current assets		4,733	1,692
		$ 36,976,713	$ 55,638,052
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 2,527,529	$ 3,619,125
Current taxes payable	14	1,274,847	3,173,027
Bank debt	7	1,672,870	-
Current portion of contingent consideration liability	8(a)	-	1,147,925
Current portion of decommissioning provision		254,582	251,548
Current portion of lease liabilities	9	166,960	171,202
		5,896,788	8,362,827
Contingent consideration liability	8(a)	-	2,504,768
Decommissioning provision		6,330,150	6,256,147
Lease liabilities	9	737,129	779,175
Deferred tax liability	14	722,749	3,479,723
		13,686,816	21,382,640
Shareholders' equity:			
Share capital		56,456,328	56,456,328
Contributed surplus		385,195	245,914
Accumulated other comprehensive loss		(18,784,054)	(18,284,158)
Deficit		(14,767,572)	(4,162,672)
		23,289,897	34,255,412
		$ 36,976,713	$ 55,638,052

Subsequent events (Note 20)

Approved on behalf of the Board of Directors:

"Gordon Kettleson" — Gordon Kettleson, Director

"Pablo Peralta" — Pablo Peralta, Director

See accompanying notes to condensed interim consolidated financial statements.

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

	Note	For the three months ended September 30 2020	For the three months ended September 30 2019	For the nine months ended September 30 2020	For the nine months ended September 30 2019
Revenue					
Oil and natural gas sales	10	$ 2,435,673	$ 9,595,656	$ 7,705,217	$ 35,357,653
Processing income		22,055	(157,778)	106,741	486,542
Export tax		13,183	(534,373)	(252,888)	(2,425,017)
Royalties		(500,623)	(1,553,440)	(1,285,862)	(5,439,758)
		1,970,288	7,350,065	6,273,208	27,979,420
Expenses					
Operating		1,471,105	2,622,115	4,796,349	8,863,008
General and administrative		465,416	878,484	1,481,338	2,923,827
Allowance for credit losses	3	-	190,702	-	190,702
Exploration and evaluation	5	-	-	141,909	-
Depletion and depreciation	6	1,300,811	2,003,044	4,413,576	7,539,383
Fair value adjustment of contingent consideration	8	-	(153,366)	(1,262,953)	(438,151)
Impairment of property and equipment	11(a)	-	-	8,250,000	-
Impairment of goodwill	11(b)	-	-	1,735,549	-
Share-based payments	12	27,751	83,177	139,281	383,237
Foreign exchange (gain) loss		(17,184)	123,765	(555,370)	(845,241)
		3,247,899	5,747,921	19,139,679	18,616,765
Operating (loss) income		(1,277,611)	1,602,144	(12,866,471)	9,362,655
Net finance expense	13	(192,814)	(98,716)	(495,403)	(715,934)
Loss on disposition of participating interest		-	-	-	(1,717,662)
(Loss) income before taxes		(1,470,425)	1,503,428	(13,361,874)	6,929,059
Tax recovery (provision)	14	193,460	(1,823,316)	2,756,974	(7,458,619)
Net loss		(1,276,965)	(319,888)	(10,604,900)	(529,560)
Other comprehensive (loss) income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of the Canadian parent company		(435,569)	73,095	(499,896)	84,599
Total comprehensive loss		$ (1,712,534)	$ (246,793)	$ (11,104,796)	$ (444,961)
Net loss per share	15	$ (0.02)	$ (0.00)	$ (0.15)	$ (0.01)

See accompanying notes to these condensed interim consolidated financial statements.

CROWN POINT ENERGY INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30
(Unaudited)
(United States Dollars)

	Note	2020	2019
Share capital			
Balance, January 1		$ 56,456,328	$ 131,745,215
Reduction of stated capital		-	(74,990,000)
Balance, September 30		56,456,328	56,755,215
Contributed surplus			
Balance, January 1		245,914	6,887,166
Reduction of stated capital		-	6,080,510
Share-based payments	12	139,281	383,237
Balance, September 30		385,195	13,350,913
Accumulated other comprehensive loss			
Balance, January 1		(18,284,158)	(18,432,797)
Exchange differences on translation of Canadian parent company		(499,896)	84,599
Balance, September 30		(18,784,054)	(18,348,198)
Deficit			
Balance, January 1		(4,162,672)	(71,887,665)
Net loss		(10,604,900)	(529,560)
Reduction of stated capital		-	68,909,490
Dividend declared		-	(2,551,606)
Balance, September 30		(14,767,572)	(6,059,341)
Total shareholders' equity		$ 23,289,897	$ 45,698,589

See accompanying notes to these condensed interim consolidated financial statements.

CROWN POINT ENERGY INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30
(Unaudited)
(United States Dollars)

	Note	2020	2019
Operating activities:			
Net loss		$ (10,604,900)	$ (529,560)
Items not affecting cash:			
Allowance for credit losses	3	-	190,702
Exploration and evaluation	5	141,909	-
Depletion and depreciation	6	4,413,576	7,539,383
Fair value adjustment of contingent consideration	8	(1,262,953)	(438,151)
Impairment of property and equipment	11(a)	8,250,000	-
Impairment of goodwill	11(b)	1,735,549	-
Share-based payments	12	139,281	383,237
Unrealized foreign exchange gain		(507,409)	723,446
Finance expense		293,156	194,203
Loss on disposition of participating interest		-	1,717,662
Tax recovery	14	(2,756,974)	(1,281,277)
Funds flow provided by operating activities		(158,765)	8,499,645
Change in non-cash working capital	16	(800,044)	4,932,617
Net cash (used in) provided by operating activities		(958,809)	13,432,262
Financing activities:			
Bank debt proceeds	7	2,612,005	-
Bank debt repayment	7	(709,351)	(1,700,000)
Lease payments	9	(98,106)	(139,046)
Interest expense	7, 16	(164,301)	(3,069)
Dividend payment		-	(2,551,606)
Net cash provided by (used in) financing activities		1,640,247	(4,393,721)
Investing activities:			
Exploration and evaluation expenditures	5	(374,597)	(816,388)
Property and equipment expenditures	6	(619,277)	(4,961,951)
Proceeds from disposition of participating interest		-	17,536,795
Settlement of contingent consideration liability	8	(167,699)	(894,122)
Collection of contingent consideration receivable	8	75,232	123,881
Change in other non-current assets		(3,400)	377
Change in non-cash working capital	16	(270,815)	(2,272,463)
Net cash (used in) provided by investing activities		(1,360,556)	8,716,129
Change in cash		(679,118)	17,754,670
Foreign exchange effect on cash held in foreign currencies		(221,180)	(634,023)
Cash, January 1		2,695,803	2,194,072
Cash, September 30		$ 1,795,505	$ 19,314,719

See accompanying notes to these condensed interim consolidated financial statements.

1. REPORTING ENTITY:

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

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

Effective January 1, 2020, the Company's wholly-owned subsidiaries Crown Point Energía S.A. and St. Patrick Oil & Gas S.A. were amalgamated and continued under the name Crown Point Energía S.A. These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CanAmericas (Argentina) Energy Ltd. and Crown Point Energía S.A..

As at September 30, 2020, Liminar Energía S.A. ("Liminar"), the Company's largest shareholder, owned approximately 59.5% of the Company's issued and outstanding common shares.

2. BASIS OF PRESENTATION:

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

The Company has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019.

In early March 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant disruption to business operations and a significant increase in economic uncertainty in Argentina and elsewhere, with more volatile commodity prices, currency exchange rates and a marked decline in long-term interest rates. These events have resulted in a volatile and challenging economic climate which has adversely affected the Company's operational results and financial position. The current economic climate is having and may continue to have significant adverse impacts on the Company, which may include, but are not limited to:

- material reductions in revenue and cash flows due to significantly reduced commodity prices;
- material reductions in revenue and cash flows and operating activities due to prolonged closure of offshore loading facilities, international borders and related delivery terminals, reduced capital programs and the shut-in of production, all of which could negatively impact the Company's ability to produce and sell oil;
- inability to access equity and/or debt financing;
- material declines in future revenue, which has resulted in impairment of property and equipment and goodwill and could result in additional impairment of property and equipment; and
- increased risk of non-performance by the Company's customers which could materially increase collection risk of accounts receivable and the risk of customer defaults on contracts.

The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of the Company's September 30, 2020 condensed interim consolidated financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 25, 2020.

(United States dollars)

3. 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 purchasers that represent 96% of oil revenue reported in the nine months ended September 30, 2020 comprise $nil of accounts receivable at September 30, 2020 (December 31, 2019 – one purchaser for $1,170,040 of accounts receivable) and two major purchasers that represent 46% of natural gas revenue reported in the nine months ended September 30, 2020 comprise $135,238 of accounts receivable at September 30, 2020 (December 31, 2019 – two major purchasers represent $864,477 of accounts receivable) (Note 10).

The Company's maximum exposure to credit risk in respect of trade and other receivables consists of:

	September 30 2020	December 31 2019
Due from Argentine companies	$ 1,064,095	$ 1,842,193
Due from an international company	–	1,170,040
Other receivables	198,754	103,196
Allowance for credit losses	(349,270)	(349,270)
Total trade and other receivables	$ 913,579	$ 2,766,159

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

	September 30 2020	December 31 2019
Not past due (less than 90 days)	$ 531,560	$ 2,315,920
Past due (more than 90 days)	731,289	799,509
	1,262,849	3,115,429
Allowance for credit losses on past due amounts	(349,270)	(349,270)
Total trade and other receivables	$ 913,579	$ 2,766,159

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

	September 30 2020	December 31 2019
Prepaid expenses	$ 1,123,179	$ 1,340,231
Value Added Tax	1,679,235	1,627,497
	$ 2,802,414	$ 2,967,728

(United States dollars)

5. EXPLORATION AND EVALUATION ASSETS (''E&E''):

Carrying amount, December 31, 2019	$	10,920,359
Additions		374,597
Reclassified to exploration and evaluation expense		(141,909)
Carrying amount, September 30, 2020	$	11,153,047

$141,909 of costs incurred during the nine months ended September 30, 2020 associated with an exploration well that was drilled and abandoned in the latter part of 2019 have been reclassified to exploration and evaluation expense in the September 30, 2020 consolidated statement of (loss) income and comprehensive (loss) income.

6. PROPERTY AND EQUIPMENT:

	Argentina			Canada	
	Development and Production Assets	Right-of-Use Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$	$
Balance, December 31, 2019	76,145,193	1,026,238	498,798	298,620	77,968,849
Additions	612,352	–	6,925	–	619,277
Effect of change in exchange rates	–	–	–	(8,013)	(8,013)
Balance, September 30, 2020	76,757,545	1,026,238	505,723	290,607	78,580,113
Accumulated depletion and depreciation:					
Balance, December 31, 2019	46,012,092	133,092	391,748	280,229	46,817,161
Depletion and depreciation	4,177,658	96,048	34,601	3,970	4,312,277
Impairment (Note 11)	8,250,000	–	–	–	8,250,000
Effect of change in exchange rates	–	–	–	(7,460)	(7,460)
Balance, September 30, 2020	58,439,750	229,140	426,349	276,739	59,371,978
Net carrying amount:					
At December 31, 2019	30,133,101	893,146	107,050	18,391	31,151,688
At September 30, 2020	18,317,795	797,098	79,374	13,868	19,208,135

Future development costs:

The September 30, 2020 depletion expense calculation included $5.1 million (December 31, 2019 – $13.2 million) for estimated future development costs associated with proved and probable reserves in Argentina.

(United States dollars)

7. BANK DEBT:

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

Balance, December 31, 2019	$	–
Proceeds		2,612,005
Repayment		(709,351)
Effect of change in exchange rates		(229,784)
Balance, September 30, 2020	$	1,672,870

(a) HSBC Bank Argentina S.A.

On January 10, 2020, the Company obtained an ARS 44 million ($0.73 million) working capital loan from HSBC Bank Argentina S.A. ("HSBC Loan 1") at an interest rate of 49% per annum, calculated and payable monthly. The HSBC Loan was to mature on April 10, 2020 but prior to the maturity date it was renewed for an additional 90 days to July 10, 2020. On April 29, 2020, the Company repaid ARS 8.8 million ($0.13 million) of HSBC Loan 1 and renewed the remaining ARS 35.2 million ($0.54 million) at an interest rate of 30% per annum, calculated and payable at maturity on August 27, 2020. On August 27, 2020, the Company repaid the remaining ARS 35.2 million ($0.48 million) balance of HSBC Loan 1 plus ARS 3.4 million ($0.05 million) of accrued interest.

On September 3, 2020, the Company obtained an ARS 35.2 million ($0.47 million) working capital loan from HSBC Bank Argentina S.A. ("HSBC Loan 2") at an interest rate of 38.25% per annum, calculated and payable monthly, and a maturity date of March 2, 2021.

During the three and nine months ended September 30, 2020, the Company recognized $35,681 and $164,043, respectively, of interest on the HSBC loans of which $148,013 was paid and $16,030 is included in trade and other payables as at September 30, 2020.

(b) Banco Hipotecario

On May 31, 2020, the Company obtained an ARS 15 million ($0.22 million) working capital loan from Banco Hipotecario ("Banco Hipotecario Loan 1") at an interest rate of 24% per annum. 50% of the loan principal and accrued interest is repayable on September 28, 2020 and the remaining loan principal and accrued interest is repayable on November 27, 2020. On September 28, 2020, the Company repaid ARS 7.5 million ($0.1 million) of the loan plus ARS 1.2 million ($0.02 million) of accrued interest.

On June 9, 2020, the Company obtained an ARS 35 million ($0.51 million) working capital loan from Banco Hipotecario ("Banco Hipotecario Loan 2") at an interest rate of 24% per annum. 50% of the loan principal and accrued interest was repaid on October 7, 2020 (Note 20) and the remaining loan principal and accrued interest is repayable on December 9, 2020.

On August 25, 2020, the Company obtained an ARS 50 million ($0.68 million) working capital loan from Banco Hipotecario ("Banco Hipotecario Loan 3") at an interest rate of 24% per annum. 50% of the loan principal and accrued interest is repayable on December 23, 2020 and the remaining loan principal and accrued interest is repayable on February 21, 2021.

During the three and nine months ended September 30, 2020, the Company recognized $57,031 and $68,107, respectively, of interest on the Banco Hipotecario loans, of which $16,288 was paid and $51,819 is included in trade and other payables as at September 30, 2020.

Liminar has provided a guarantee of the Banco Hipotecario loans for which the Company is charged loan guarantee fee 1% of the loan balance per annum (Note 17).

(United States dollars)

8. CONTINGENT CONSIDERATION (LIABILITY) RECEIVABLE:

A reconciliation of the contingent consideration (liability) receivable is as follows:

		Liability (a)		Receivable (b)		Net
Balance, December 31, 2019	$	(3,652,693)	$	2,367,389	$	(1,285,304)
Cash settlement (collection)		167,699		(75,232)		92,467
Fair value adjustment		3,484,994		(2,222,041)		1,262,953
Balance, September 30, 2020		–		70,116		70,116
Current portion		–		(70,116)		(70,116)
Long-term portion	$	–	$	–	$	–

(a) Contingent consideration liability

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

The forecast net revenues based on the internally prepared mechanical update of the externally prepared December 31, 2019 reserve report do not exceed the base net revenue for future quarters. As a result, the estimated fair value of the contingent consideration liability at September 30, 2020 was $nil (December 31, 2019 – $3,652,693).

(b) Contingent consideration receivable

As part of the consideration for the 2019 disposition of a 16.83% participating interest in the TDF Concessions, the UTE Partners will make future payments to St. Patrick equal to their proportionate share of contingent royalty payments that accrue following the closing of the ROFR Sale.

The forecast net revenues based on the internally prepared mechanical update of the externally prepared December 31, 2019 reserve report do not exceed the base net revenue for future quarters. As a result, the estimated fair value of the contingent consideration receivable at September 30, 2020 was $nil (December 31, 2019 – $2,367,389). The $70,116 reported current portion of contingent consideration receivable related to the amounts receivable for the second and third quarters of 2019.

9. LEASE LIABILITIES:

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

Balance, December 31, 2019	$	950,377
Interest		51,818
Payments		(98,106)
Balance, September 30, 2020		904,089
Current portion of lease liabilities		(166,960)
Long-term lease liabilities	$	737,129

Total expected payments under lease agreements for office and equipment are $13,846 per month ($166,152 per year) until December 31, 2026.

(United States dollars)

10. OIL AND NATURAL GAS SALES:

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Oil	$ 1,434,697	$ 7,705,140	$ 4,799,087	$ 26,916,486
Natural gas liquids	–	9,792	10,035	52,053
Natural gas	1,000,976	1,880,724	2,896,095	8,389,114
	$ 2,435,673	$ 9,595,656	$ 7,705,217	$ 35,357,653

All of the Company's revenue from oil sales earned in the nine months ended September 30, 2020 was for export sales, of which 96% was to three purchasers (nine months ended September 30, 2019 – export sales of which 100% was to three purchasers) and $nil was in accounts receivable at September 30, 2020 (December 31, 2019 – $1,170,040).

All of the Company's revenue from natural gas sales earned in the nine months ended September 30, 2020 was for domestic sales, of which 46% was to two major purchasers (nine months ended September 30, 2019 – domestic sales of which 78% was to five major purchasers) and $135,238 was in accounts receivable at September 30, 2020.

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Export	$ 1,434,697	$ 7,705,140	$ 4,799,087	$ 26,916,486
Domestic	1,000,976	1,890,516	2,906,130	8,441,167
	$ 2,435,673	$ 9,595,656	$ 7,705,217	$ 35,357,653

11. IMPAIRMENT:

(a) Property and equipment

During the quarter ended March 31, 2020, the Company identified indicators of impairment in relation to its TDF CGU and performed an impairment test. Management estimated the recoverable amount of the TDF CGU based on the higher of fair value less costs of disposal and its value in use. The estimated recoverable amount for the TDF CGU was determined to be lower than the March 31, 2020 carrying amount based on 15% discounted after-tax cash flows expected to be derived from the TDF CGU's proved plus probable reserves from the internally prepared mechanical update of the externally prepared December 31, 2019 reserve report. During the three and nine months ended September 30, 2020, the Company recognized $nil and $8.25 million, respectively, of impairment in the consolidated statement of (loss) income and comprehensive (loss) income. Impairment of property and equipment may be reversed in future periods if there are indicators of reversal, such as an improvement in commodity price forecasts.

(United States dollars)

The following prices were used for the estimate of the March 31, 2020 recoverable amount of the TDF CGU:

Year	Average USD price per barrel of oil	Average USD price per mcf of natural gas
2020	41.00	2.62
2021	41.00	2.72
2022	47.00	3.65
2023	51.00	3.74
2024	52.18	3.87
2025	53.38	3.86
2026	54.61	3.89

These future prices were based on forecasted commodity prices adjusted for commodity price differentials and transportation specific to the Company's production. Management's estimates also include financial assumptions regarding royalty rates, operating costs, and future development capital that can significantly impact the recoverable amount which are assigned based on historic rates and future anticipated activities of the Company.

A 1% increase in the discount rate would result in $0.1 million of additional impairment. A 5% decrease in commodity prices would result in $1.9 million of additional impairment.

(b) Goodwill

Due to the identification of indicators of impairment in relation to its TDF CGU during the quarter ended March 31, 2020, the Company performed an impairment test of goodwill. The recoverable amount of goodwill at March 31, 2020 based on the fair value less costs of disposal using a discounted cash flow method assessed at the CGU level was determined to be lower than the carrying amount of goodwill. 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 TDF CGU using a 15% discount rate.

During the three and nine months ended September 30, 2020, the Company recognized $nil and $1.74 million, respectively, of impairment in the consolidated statement of (loss) income and comprehensive (loss) income. Goodwill impairment is not reversed.

12. SHARE-BASED PAYMENTS:

As at September 30, 2020 and December 31, 2019, the Company had 2,175,000 stock options outstanding, of which 1,450,000 are exercisable. The stock options are exercisable at $0.75 per share until April 3, 2024.

During the three and nine months ended September 30, 2020, the Company recognized $27,751 and $139,281 (nine months ended September 30, 2019 – $83,177 and $383,237), respectively, of share-based payment expense. As at September 30, 2020, the balance of unvested share-based payments was $55,805.

(United States dollars)

13. NET FINANCE EXPENSE:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest income	$ 7,212	$ 71,729	$ 41,828	$ 223,290
Financing fees and bank charges	(61,439)	(163,569)	(176,226)	(793,021)
Interest on bank debt (Note 7)	(92,712)	–	(232,150)	(3,069)
Loan guarantee recovery (Note 17)	–	48,000	–	48,000
Accretion of decommissioning provision	(29,060)	(35,235)	(77,037)	(122,992)
Interest on lease liabilities (Note 9)	(16,815)	(19,641)	(51,818)	(68,142)
	$ (192,814)	$ (98,716)	$ (495,403)	$ (715,934)

14. TAXES:

The Company’s tax (recovery) provision is comprised of the following current and deferred taxes:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Current tax expense	$ –	$ 2,100,172	$ –	$ 8,739,896
Deferred tax provision (recovery)	(193,460)	(276,856)	(2,756,974)	(1,281,277)
Tax (recovery) provision	$ (193,460)	$ 1,823,316	$ (2,756,974)	$ 7,458,619

Current tax expense is related to taxable income in Argentina generated by Crown Point Energía S.A. The deferred tax recovery is related to the reduction in the carrying amount of property and equipment (Note 6) and contingent consideration receivable (Note 8(b)) combined with changes in the Company’s ARS denominated tax pools and the devaluation of the ARS during the period on the translation of ARS denominated tax pools to USD.

15. PER SHARE AMOUNTS:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net loss for the period	$ (1,276,965)	$ (319,888)	$ (10,604,900)	$ (529,560)
Basic weighted average number of shares	72,903,038	72,903,038	72,903,038	72,903,038
Net loss per share	$ (0.02)	$ (0.00)	$ (0.15)	$ (0.01)

For the three and nine months ended September 30, 2020 and 2019, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

(United States dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION:

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

For the nine months ended September 30		2020		2019
Trade and other receivables	$	1,852,580	$	8,978,388
Inventory		(98,798)		(857,006)
Prepaid expenses and other current assets		165,314		(166,065)
Trade and other payables		(1,091,596)		(5,114,058)
Current taxes payable		(1,898,180)		(176,911)
Effect of change in exchange rates		(179)		(4,194)
	$	(1,070,859)	$	2,660,154
Attributable to:				
Operating activities	$	(800,044)		4,932,617
Investing activities		(270,815)	$	(2,272,463)
	$	(1,070,859)	$	2,660,154

(b) As at September 30, 2020, the Company held $1,795,505 (December 31, 2019 – $2,695,803) of cash in Canadian, United States and Argentine banks.

(c) During the three and nine months ended September 30, 2020, the Company paid $62,810 and $164,301, respectively (nine months ended September 30, 2019 – $nil and $3,069, respectively), of interest expense on bank debt (Note 7).

(d) During the nine months ended September 30, 2020, the Company paid $1,898,180 (ARS 92,848,395) to Argentine tax authorities related to 2019 income tax (nine months ended September 30, 2019 – $4,632,159 (ARS 203,555,468) related to 2018 and 2019 income tax.

17. RELATED PARTY TRANSACTIONS:

During the three and nine months ended September 30, 2020, the Tierra del Fuego UTE (of which the Company is a member) sold a portion of natural gas production to Energía y Soluciones S.A., a company controlled by Gabriel Obrador, who is a director of the Company, for which the Company recognized $nil (three and nine months ended September 30, 2019 – $nil and $65,272 (ARS 2,654,686), respectively), of oil and gas revenue for its working interest share. Included in trade and other receivables as at September 30, 2020 is $nil (December 31, 2019 – $nil) in respect of this revenue.

Mr. Pablo 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. Liminar owns approximately 59.5% of the Company's outstanding common shares. During the three and nine months ended September 30, 2020, the Company was charged $nil and $40,000, respectively (three and nine months ended September 30, 2019 – $103,839 and $163,839), respectively, by Liminar for legal advisory services pursuant to a services agreement with an effective date of April 1, 2019 which was temporarily suspended on March 1, 2020. During the three and nine months ended September 30, 2020, Liminar also charged the Company $2,141 and $2,725, respectively, in loan guarantee fees (Note 7(b)). During the three and nine months ended September 30, 2019, the Company recognized a $48,000 recovery of prior year loan guarantee fees due to the absence of loans on the anniversary date of the first payment. Included in trade and other payables as at September 30, 2020 is $2,725 (December 31, 2019 – $24,200) payable to Liminar.

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

18. FOREIGN CURRENCY EXCHANGE RISK

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

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

As at September 30, 2020	Balance denominated in		Total USD
	CAD	ARS	equivalents
Cash	$ 8,792	$ 99,503,029	$ 1,312,855
Trade and other receivables	$ 4,903	$ 28,262,932	$ 374,710
Trade and other payables	$ (89,335)	$ (86,871,158)	$ (1,207,490)
Bank debt	–	$ (127,700,000)	$ (1,672,870)
Current taxes payable	$ –	$ (97,110,521)	$ (1,274,847)

As at December 31, 2019	Balance denominated in		Total USD
	CAD	ARS	equivalents
Cash	$ 12,121	$ 57,370,002	$ 967,644
Trade and other receivables	$ 8,654	$ 38,634,940	$ 573,107
Trade and other payables	$ (166,045)	$ (107,580,009)	$ (1,925,077)
Current taxes payable	$ –	$ (189,959,003)	$ (3,173,027)

(b) Currency devaluation:

Exchange rates [(1)] as at	September 30 2020	December 31 2019
CAD to USD	0.7507	0.7714
ARS to USD	0.0131	0.0167
USD to ARS	76.1743	59.8700

[(1)] Source OFX (previously known as Canadian Forex Exchange)

Currency devaluation in Argentina impacts the cost of ARS denominated items which are translated to the USD functional currency of the Argentine subsidiaries. A portion of Tierra del Fuego ("TDF") concession operating costs and general and administrative expenses incurred in Argentina are denominated in ARS. During the nine months ended September 30, 2020, the devaluation of ARS resulted in lower TDF operating costs and general and administrative expenses incurred in Argentina by approximately 14% (nine months ended September 30, 2019 – devaluation of ARS; lower by approximately 23%).

During the nine months ended September 30, 2020, 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 $726,000 (nine months ended September 30, 2019 – devaluation of ARS; reduction by approximately $2.3 million).

The effect of currency devaluation on ARS denominated bank debt during the nine months ended September 30, 2020 was a $229,784 reduction in the USD equivalent amount (Note 7).

(United States dollars)

(c) Sensitivity analysis:

The following table presents an estimate of the impact on net loss for the market risk factors discussed above and is calculated based on the noted change in exchange rates applied to balances as at September 30, 2020:

Market risk	Change in exchange rates	Impact on net income (loss)
Foreign exchange - effect of strengthening USD:		
CAD denominated financial assets and liabilities	5%	$ 2,840
ARS denominated financial assets and liabilities	10%	$ 240,930

19. 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 at September 30, 2020, the Company has working capital of $714,010 (December 31, 2019 – $1,831,197) which includes $2,779,200 (December 31, 2019 – $6,194,611) of financial assets comprised of cash, trade and other receivables and the current portion of contingent consideration receivable and $5,642,206 (December 31, 2019 – $8,111,279) of financial liabilities comprised of trade and other payables, bank debt, current taxes payable, current portion of contingent consideration liability and current portion of lease liabilities with a contractual maturity of less than one year. During the nine months ended September 30, 2020, the Company reported $958,809 of net cash used by operating activities.

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.

20. SUBSEQUENT EVENTS

(a) On October 7, 2020, the Company repaid ARS 17.5 million ($0.23 million) of Banco Hipotecario Loan 2 plus ARS 2.8 million ($0.04 million) of accrued interest.

(b) On November 5, 2020, Roch S.A., the Argentine operator of the UTE governing the TDF Concessions, announced that it had filed for Concurso Preventivo de Acreedores (voluntary reorganization proceedings). Roch S.A. continues to operate the TDF Concessions and there have been no operational disruptions; among other things, oil and natural gas production and sales are continuing in the ordinary course. The Company will continue to monitor Roch S.A.'s voluntary reorganization proceedings with a view to determining what impact, if any, those proceedings might have on the UTE, the TDF Concessions and the Company and what steps, if any, the Company should take in response to the proceedings.