CROWN POINT ENERGY INC.
Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021
(Unaudited)

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

As at	Note	March 31 2021	December 31 2020
Assets			
Current assets:			
Cash		$ 6,269,672	$ 654,743
Trade and other receivables	4	938,407	2,215,779
Oil inventory		975,206	277,361
Prepaid expenses and other current assets	5	3,130,591	2,994,110
		11,313,876	6,141,993
Exploration and evaluation assets		11,182,557	11,182,557
Property and equipment	6	34,002,861	16,358,182
Restricted cash	8	279,498	-
Other non-current assets		4,507	4,608
		$ 56,783,299	$ 33,687,340
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 1,841,940	$ 1,536,890
Acquisition of working interest payable	3	4,166,500	-
Current taxes payable		79,222	86,667
Bank debt	7	1,169,163	1,330,590
Current portion of lease liabilities	10	30,726	166,256
		7,287,551	3,120,403
Non-current trade and other payables		293,011	167,219
Non-current taxes payable		132,039	166,113
Notes payable	8	5,315,426	-
Decommissioning provision	9	10,332,652	6,724,765
Lease liabilities	10	115,441	639,433
Deferred tax liability	15	3,370,947	1,078,214
		26,847,067	11,896,147
Shareholders' equity:			
Share capital		56,456,328	56,456,328
Contributed surplus		440,095	412,947
Accumulated other comprehensive loss		(18,217,691)	(18,239,476)
Deficit		(8,742,500)	(16,838,606)
		29,936,232	21,791,193
		$ 56,783,299	$ 33,687,340

Commitments (Note 19)
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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(United States Dollars)

For the three months ended March 31	Note		2021		2020
Revenue					
Oil and natural gas sales	13	$	3,528,369	$	4,320,239
Processing income			45,408		45,880
Export tax			(117,062)		(261,969)
Royalties			(554,644)		(641,593)
			2,902,071		3,462,557
Expenses					
Operating			1,315,787		2,520,362
General and administrative			672,601		572,074
Depletion and depreciation			1,059,054		2,295,233
Gain on acquisition of working interest	3		(8,182,410)		-
Exploration and evaluation			-		141,909
Fair value adjustment of contingent consideration			-		(1,262,953)
Impairment of property and equipment			-		8,250,000
Impairment of goodwill			-		1,735,549
Share-based payments	11		27,148		82,273
Foreign exchange (gain) loss			252,800		(202,490)
			(4,855,020)		14,131,957
Operating income (loss)			7,757,091		(10,669,400)
Net finance expense	14		(173,212)		(142,243)
Income (loss) before taxes			7,583,879		(10,811,643)
Tax recovery	15		512,227		2,135,093
Net income (loss)			8,096,106		(8,676,550)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of the Canadian parent company			21,785		(122,018)
Total comprehensive income (loss)		$	8,117,891	$	(8,798,568)
Net income (loss) per share	11	$	0.11	$	(0.12)

See accompanying notes to these condensed interim consolidated financial statements.

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

For the three months ended March 31	Note	2021	2020
Share capital			
Balance, January 1 and March 31		$ 56,456,328	$ 56,456,328
Contributed surplus			
Balance, January 1		412,947	245,914
Share-based payments	11	27,148	82,273
Balance, March 31		440,095	328,187
Accumulated other comprehensive loss			
Balance, January 1		(18,239,476)	(18,284,158)
Exchange differences on translation of Canadian parent company		21,785	(122,018)
Balance, March 31		(18,217,691)	(18,406,176)
Deficit			
Balance, January 1		(16,838,606)	(4,162,672)
Net income (loss)		8,096,106	(8,676,550)
Balance, March 31		(8,742,500)	(12,839,222)
Total shareholders' equity		$ 29,936,232	$ 25,539,117

See accompanying notes to these condensed interim consolidated financial statements.

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

For the three months ended March 31	Note	2021	2020
Operating activities:			
Net income (loss)		$ 8,096,106	$ (8,676,550)
Items not affecting cash:			
Depletion and depreciation		1,059,054	2,295,233
Gain on acquisition of working interest	3	(8,182,410)	-
Exploration and evaluation		-	141,909
Fair value adjustment of contingent consideration		-	(1,262,953)
Impairment of property and equipment		-	8,250,000
Impairment of goodwill		-	1,735,549
Share-based payments	11	27,148	82,273
Unrealized foreign exchange (gain) loss		(72,401)	(56,538)
Finance expense		104,663	116,127
Tax recovery	15	(512,227)	(2,135,093)
Funds flow provided by operating activities		519,933	489,957
Change in non-cash working capital	16	1,035,588	(968,891)
Net cash provided by (used in) operating activities		1,555,521	(478,934)
Financing activities:			
Bank debt proceeds	7	561,167	734,800
Bank debt repayment	7	(662,881)	-
Notes payable proceeds	8	5,312,393	-
Restricted cash	8	(279,498)	-
Lease payments	10	(7,577)	(43,100)
Interest expense	17	(46,181)	(78,982)
Net cash provided by financing activities		4,877,423	612,718
Investing activities:			
Exploration and evaluation expenditures		-	(369,716)
Property and equipment expenditures	6	(724,933)	(413,097)
Settlement of contingent consideration liability		-	(3,355)
Collection of contingent consideration receivable		-	75,232
Change in other non-current assets		(285)	(3,400)
Change in non-cash working capital	16	(61,601)	129,128
Net cash used in investing activities		(786,819)	(585,208)
Change in cash		5,646,125	(451,424)
Foreign exchange effect on cash held in foreign currencies		(31,196)	(116,325)
Cash, January 1		654,743	2,695,803
Cash, March 31		$ 6,269,672	$ 2,128,054

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.

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 March 31, 2021, 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, 2020.

Given the continued global spread of COVID-19 and its variants and the burden to implement new and/or continued public health measures and restrictions in response to the COVID-19 pandemic, the Company’s financial and/or operating performance could be materially adversely impacted by way of, but not limited to:

- economic uncertainty in Argentina and elsewhere;
- volatility in commodity prices, currency exchange rates and interest rates;
- 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 on acceptable terms or at all;
- 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 duration and extent of the impact from the COVID-19 pandemic remains uncertain and depends on future developments that cannot be accurately predicted at this time. This situation is changing rapidly and future impacts may materialize that are not yet known. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and, as a result, the ultimate impact and lasting effects on the Company's business, operations and financial condition, and on the energy industry as whole, are highly uncertain.

Estimates and judgements made by management in the preparation of the Company’s March 31, 2021 unaudited 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 May 11, 2021.

(United States dollars)

3. ACQUISITION OF WORKING INTEREST:

On March 13, 2021, the Company (50% working interest), together with partner Petrolera Aconcagua Energía ("Aconcagua") (50% working interest), was awarded a 25 year exploitation license for the 40.6 square kilometre Chañares Herrados producing oil block (the “CH Concession”), located in the Cuyo Basin approximately 50 kilometers south of Mendoza City, Province of Mendoza. Consideration for the exploitation license was cash payment of $8.33 million ($4.17 million net to Crown Point) to the Province.

Under the terms of the exploitation license agreement, the joint venture will pay a 13% royalty on oil production and commit to an $85.7 million ($42.85 million net to Crown Point) ten-year work program which includes well work overs, infrastructure optimization and a multi- well drilling program. The CH Concession will be operated by Aconcagua.

The acquisition of the 50% working interest in the CH Concession was accounted for as a business combination in accordance with IFRS 3 Business Combinations whereby the assets acquired and liabilities assumed were recorded at their estimated fair values on the acquisition date as follows:

Fair value of net assets:		
Property and equipment (Note 6)	$	15,386,342
Inventory		63,737
Non-current trade and other payables		(129,228)
Decommissioning provision (Note 9)		(166,981)
Deferred tax liability (Note 15)		(2,804,960)
		12,348,910
Gain on acquisition of working interest		(8,182,410)
	$	4,166,500
Consideration:		
Due to the Province of Mendoza (paid April 12, 2021)	$	4,166,500

The CH Concession was revoked by the Province in 2019 when the predecessor concession holder was unable to complete their expenditure commitments and subsequently filed for bankruptcy in 2020. The Company and Aconcagua were awarded the CH Concession in March 2021 through a bid-process that was evaluated based on cash consideration, a committed work program to invest in the Province and the financial and technical ability to complete the work program. As a result, the fair value of net assets acquired is in excess of the cash consideration payable to the Province of Mendoza, thereby resulting in the recognition of an $8.2 million gain on the acquisition of the working interest.

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

During the three months ended March 31, 2021, the Company incurred $20,000 of costs related to the acquisition which are included in general and administrative expenses.

Since the acquisition date on March 13, 2021 to March 31, 2021, the 50% working interest in the CH Concession contributed $300,344 of oil and gas revenue and $93,545 of operating income (oil and gas revenue less royalties and operating expenses). Had the acquisition occurred on January 1, 2021, the Company estimates that oil and gas revenue would have increased by approximately $1.5 million and operating income would have increased by approximately $0.5 million. The pro forma information is not necessarily representative of future revenue and operations.

4. 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.

(United States dollars)

Two major purchasers that represents 100% of oil revenue reported in the three months ended March 31, 2021 comprise $300,344 of accounts receivable at March 31, 2021 (December 31, 2020 – $1,592,777) and three major purchasers that represent 41% of natural gas revenue reported in the three months ended March 31, 2021 comprise $167,176 of accounts receivable at March 31, 2021 (December 31, 2020 – $89,222) (Note 13).

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

	March 31 2021	December 31 2020
Due from Argentine companies	$ 1,155,539	$ 859,325
Due from an international company	–	1,592,777
Other receivables	102,219	112,947
Allowance for credit losses	(319,351)	(349,270)
Total trade and other receivables	$ 938,407	$ 2,215,779

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

	March 31 2021	December 31 2020
Not past due (less than 90 days)	$ 876,308	$ 2,104,988
Past due (more than 90 days)	381,450	460,061
	1,257,758	2,565,049
Allowance for credit losses	(319,351)	(349,270)
Total trade and other receivables	$ 938,407	$ 2,215,779

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

	March 31 2021	December 31 2020
Prepaid expenses	$ 1,430,059	$ 1,279,325
Value Added Tax	1,700,532	1,714,785
	$ 3,130,591	$ 2,994,110

(United States dollars)

6. PROPERTY AND EQUIPMENT:

	Argentina			Canada	
	Development and Production Assets	Right-of-Use Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$	$
Balance, December 31, 2020	76,993,031	1,015,865	505,740	303,575	78,818,211
Additions	724,933	–	–	–	724,933
Acquisition of working interest (Note 3)	15,386,342	–	–	–	15,386,342
Disposition	–	(830,490)	–	–	(830,490)
Decommissioning revisions (Note 9)	3,426,469	–	–	–	3,426,469
Effect of change in exchange rates	–	(5,630)	–	4,264	(1,366)
Balance, March 31, 2021	96,530,775	179,745	505,740	307,839	97,524,099
Accumulated depletion and depreciation:					
Balance, December 31, 2020	61,484,372	249,200	435,954	290,503	62,460,029
Depletion and depreciation	1,252,347	2,688	10,090	974	1,266,099
Disposition	–	(207,624)	–	–	(207,624)
Effect of change in exchange rates	–	(1,352)	–	4,086	2,734
Balance, March 31, 2021	62,736,719	42,912	446,044	295,563	63,521,238
Net carrying amount:					
At December 31, 2020	15,508,659	766,665	69,786	13,072	16,358,182
At March 31, 2021	33,794,056	136,833	59,696	12,276	34,002,861

Disposition of right-of-use assets:

During the three months ended March 31, 2021, the operator of the Tierra del Fuego ("TDF") Concessions terminated equipment leases for which the net book value of the related right-of-use assets was $622,866 with a corresponding lease liability of $649,866 (Note 10), resulting in a $27,000 gain reported in net finance expense in the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

Future development costs associated with proved and probable reserves:

The depletion expense calculation for the three months ended March 31, 2021 included $3.4 million (December 31, 2020 – $4.0 million) for estimated future development costs in the TDF Concessions and $42.1 million for estimated future development costs in the CH Concession.

(United States dollars)

7. BANK DEBT:

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

Balance, December 31, 2020	$	1,330,590
Proceeds		561,167
Repayment		(662,881)
Interest accrued		111,347
Interest paid		(46,181)
Effect of change in exchange rates		(124,879)
Balance, March 31, 2021	$	1,169,163

(a) HSBC Bank Argentina S.A.

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") at an interest rate of 38.25% per annum, calculated and payable monthly, with a maturity date of March 2, 2021. On March 3, 2021, the Company repaid the HSBC Loan in full plus ARS 0.96 million ($0.01 million) of accrued interest.

During the three months ended March 31, 2021, the Company recognized $26,044 of interest on the HSBC Loan, all of which was paid and $nil is included in trade and other payables as at March 31, 2021 (December 31, 2020 – $9,657 (ARS 811,530)).

(b) Banco Hipotecario

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 ARS 3.9 million ($0.05 million) of accrued interest was repaid on December 23, 2020 and the remaining loan principal and ARS 1 million ($11,250) of accrued interest was repaid on February 22, 2021.

On December 17, 2020, the Company obtained an ARS 50 million ($0.60 million) working capital loan from Banco Hipotecario ("Banco Hipotecario Loan 4") at an interest rate of 35% per annum. 50% of the loan principal and accrued interest was repaid on April 16, 2021 and the remaining loan principal and accrued interest will be repaid on June 15, 2021.

On February 19, 2021, the Company obtained an ARS 25 million ($0.28 million) working capital loan from Banco Hipotecario ("Banco Hipotecario Loan 5") at an interest rate of 49.5% per annum. 50% of the loan principal and accrued interest will be repaid on June 19, 2021 and the remaining loan principal and accrued interest will be repaid on August 18, 2021.

On February 23, 2021, the Company obtained an ARS 25 million ($0.28 million) working capital loan from Banco Hipotecario ("Banco Hipotecario Loan 6") at an interest rate of 49. 5% per annum. 50% of the loan principal and accrued interest will be repaid on June 23, 2021 and the remaining loan principal and accrued interest will be repaid on August 22, 2021.

During the three months ended March 31, 2021, the Company recognized $85,303 of interest on the Banco Hipotecario loans, of which $11,242 was paid and $82,207 (ARS 7,563,014) is included in trade and other payables as at March 31, 2021 (December 31, 2020 – $9,553 (ARS 802,739)).

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).

8. NOTES PAYABLE

On March 30, 2021, Crown Point Energía closed on the issuance of $3.38 million principal amount of Class I notes payable and $2.07 million (ARS 190 million) principal amount of Class II notes payable for aggregate gross proceeds of $5.44 million. Class I notes payable are guaranteed, denominated in USD integrated in ARS at the initial exchange rate and repayable in ARS at the applicable exchange rate. Class II notes payable are guaranteed, denominated in ARS and repayable in ARS.

The notes payable were issued on March 31, 2021, are repayable in eight equal installments commencing on July 1, 2022 until the maturity date of March 31, 2024 and bear interest at 8% per annum and BALDAR Privados (currently 34%) plus 6.75% per annum, respectively, payable quarterly.

The Company incurred $131,394 of transaction costs directly attributed to the issuance of the notes payable which are net against the debt amount and will be amortized to finance expense over the three year term.

A continuity of the Company's notes payable is as follows:

Balance, December 31, 2020	$	–
Class I notes payable proceeds		3,378,571
Class II notes payable proceeds (ARS 190 million)		2,065,216
		5,443,787
Transaction costs		(131,394)
Interest accrued		3,033
Balance, March 31, 2021	$	5,315,426

Restricted cash

As at March 31, 2021, $279,498 (ARS 25.7 million) was reported as restricted cash. The restricted cash is assigned as collateral for the notes payable and has been deposited in a trust account with Banco de Servicios y Transacciones S.A., the beneficiary of which is Crown Point Energía. The trust account funds will be invested as prescribed by the related escrow agreement; these funds are restricted and cannot be used by the Company other than for the purpose stated in the escrow agreement. The amount of funds held in trust is based on the Company's estimate of the next upcoming quarterly interest payment. The trust account is required to be in place until the maturity date of the notes payable.

9. DECOMMISSIONING PROVISION:

At March 31, 2021, the estimated total undiscounted inflation-adjusted amount of cash flows required to settle the Company's obligations were approximately $13.2 million to be incurred in the next 6 to 25 years (December 31, 2020 – $7.0 million in 6 years). A risk-free interest rate of 0.7% – 2.24% (December 31, 2020 – 0.7%) and an inflation rate of 1.2% (December 31, 2020 – 1.2%) was used to calculate the fair value of the decommissioning provision.

A reconciliation of the decommissioning provision is provided below:

Balance, December 31, 2020	$	6,724,765
Acquisition of working interest (Note 3)		166,981
Revision		3,426,469
Accretion		14,437
Balance, March 31, 2021	$	10,332,652

The revision to the decommissioning provision recognized during the three months ended March 31, 2021 relates to the revision of the discount rate used to estimate the present value of cash flows required to settle the decommissioning obligations of the CH Concession. The $166,981 acquisition date fair value of the decommissioning obligation was determined using a credit-adjusted discount rate in accordance with IFRS 3 Business Combinations and was subsequently re-measured at $3,593,450 using a risk-free rate in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(United States dollars)

10. 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, 2020	$	805,689
Disposition (Note 6)		(649,866)
Interest		2,846
Payments		(7,577)
Effect of change in exchange rates		(4,925)
Balance, March 31, 2021		146,167
Current portion of lease liabilities		(30,726)
Long-term lease liabilities	$	115,441

Total expected payments under lease agreements for office and equipment are $2,440 per month ($29,280 per year) until December 31, 2026.

11. SHARE-BASED PAYMENTS:

As at March 31, 2021 and December 31, 2020, the Company had 2,175,000 stock options outstanding, of which 1,450,000 were exercisable. The stock options are exercisable at $0.75 per share until April 3, 2024.

During the three months ended March 31, 2021, the Company recognized $27,148 (three months ended March 31, 2020 – $82,273) of share-based payment expense. As at March 31, 2021, the balance of unvested share-based payments was $905.

12. PER SHARE AMOUNTS:

For the three months ended March 31		2021		2020
Net income (loss)	$	8,096,106	$	(8,676,550)
Basic weighted average number of shares		72,903,038		72,903,038
Net income (loss) per share	$	0.11	$	(0.12)

For the three months ended March 31, 2021 and 2020, all stock options were excluded from the diluted per share amounts as their effect was anti-dilutive.

13. OIL AND NATURAL GAS SALES:

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

For the three months ended March 31		2021		2020
Oil	$	2,786,874	$	3,364,390
Natural gas		735,744		950,849
Natural gas liquids		5,751		5,000
	$	3,528,369	$	4,320,239

(United States dollars)

The Company's revenue from oil sales earned in the three months ended March 31, 2021 was to two purchasers, of which 11% was for domestic sales and 89% was for export sales (three months ended March 31, 2020 – one purchaser, 100% for export sales) and which $300,344 was in accounts receivable at March 31, 2021 (December 31, 2020 – $1,592,777).

All of the Company's revenue from natural gas sales earned in the three months ended March 31, 2021 was for domestic sales, of which 41% was to three major purchasers (three months ended March 31, 2020 – domestic sales of which 66% was to two major purchasers) and which $167,176 was in accounts receivable at March 31, 2021 (December 31, 2020 – $89,222).

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

For the three months ended March 31		2021		2020
Export	$	2,486,530	$	3,364,390
Domestic		1,041,839		955,849
	$	3,528,369	$	4,320,239

14. NET FINANCE EXPENSE:

For the three months ended March 31		2021		2020
Interest income	$	9,074	$	28,082
Financing fees and bank charges		(77,623)		(54,198)
Interest on bank debt (Note 7)		(111,347)		(78,982)
Interest on notes payable (Note 8)		(3,033)		–
Accretion of decommissioning provision (Note 9)		(14,437)		(19,360)
Interest on lease liabilities (Note 10)		(2,846)		(17,785)
Gain on disposition of right-of-use assets and lease liabilities (Note 6)		27,000		–
	$	(173,212)	$	(142,243)

15. TAXES:

A continuity of the Company's deferred tax liability is as follows:

Balance, December 31, 2020	$	1,078,214
Acquisition of working interest (Note 3)		2,804,960
Deferred tax (recovery) provision		(512,227)
Balance, March 31, 2021	$	3,370,947

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

For the three months ended March 31		2021		2020
Current tax	$	–	$	–
Deferred tax recovery		(512,227)		(2,135,093)
Tax recovery	$	(512,227)	$	(2,135,093)

Crown Point Energía S.A.'s has sufficient non-capital loss and other tax pools available to reduce taxable income in Argentina to $nil. The deferred tax recovery is related to changes in the Company's ARS denominated tax pools combined with the effect of a reduction in the tax rate applied to certain temporary tax differences and the devaluation of the ARS during the period on the translation of ARS denominated tax pools to USD.

(United States dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION:

(a) Change in non-cash working capital items

For the three months ended March 31		2021		2020
Trade and other receivables	$	1,277,372	$	363,553
Inventory		(427,063)		(141,471)
Prepaid expenses and other current assets		(136,481)		(186,291)
Trade and other payables		301,614		136,805
Taxes payable		(41,519)		(1,011,778)
Effect of change in exchange rates		64		(581)
	$	973,987	$	(839,763)
Attributable to:				
Operating activities	$	1,035,588		(968,891)
Investing activities		(61,601)	$	129,128
	$	973,987	$	(839,763)

(b) As at March 31, 2021, the Company held $6,269,672 (December 31, 2020 – $654,743) of cash in Canadian, United States and Argentine banks.

(c) During the three months ended March 31, 2021, the Company paid $46,181 (three months ended March 31, 2020 – $78,982) of interest expense on bank debt (Note 7).

(d) During the three months ended March 31, 2021, the Company paid $41,519 (ARS 1,822,138) (three months ended March 31, 2020 – $826,329 (ARS 50,808,928)) to Argentine tax authorities related to corporate income tax.

17. RELATED PARTY TRANSACTIONS:

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 months ended March 31, 2021, the Company was charged $nil (three months ended March 31, 2020 – $60,000) 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, $2,495 in loan guarantee fees (Note 11(b)) (three months ended March 31, 2020 – $nil) and a $41,665 guarantee fee provided by Liminar in respect of the $4.17 million owed to the Province of Mendoza in connection with the Company’s acquisition of the 50% working interest in the CH Concession (Note 3). Included in trade and other payables as at March 31, 2021 is $44,160 (December 31, 2020 – $nil) 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 March 31, 2021	Balance denominated in		Total USD equivalents
	CAD	ARS	
Cash	7,158	568,275,439	6,196,056
Restricted cash	–	25,657,498	279,498
Trade and other receivables	18,211	13,726,751	164,010
Trade and other payables	(305,992)	(81,212,042)	(1,126,068)
Bank debt	–	(107,563,013)	(1,169,163)
Current and long-term taxes payable	–	(19,436,148)	(211,261)
Lease liabilities	–	(4,699,645)	(51,083)
Notes payable	–	(190,210,822)	(2,067,508)

As at December 31, 2020	Balance denominated in		Total USD equivalents
	CAD	ARS	
Cash	16,510	33,181,934	407,511
Trade and other receivables	5,854	17,465,966	212,276
Trade and other payables	(118,505)	(79,784,445)	(1,041,641)
Bank debt	–	(111,814,269)	(1,330,590)
Current and long-term taxes payable	–	(21,258,286)	(252,780)
Lease liabilities	–	(4,829,023)	(57,466)

(b) Currency devaluation:

Exchange rates [1] as at	March 31 2021	December 31 2020
CAD to USD	0.7952	0.7842
ARS to USD	0.0109	0.0119
USD to ARS	91.9000	84.0978

[1] Source OFX

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 the TDF and CH Concessions' operating costs and general and administrative expenses incurred in Argentina are denominated in ARS. During the three months ended March 31, 2021, the devaluation of ARS resulted in lower operating costs and general and administrative expenses incurred in Argentina by approximately 6% (three months ended March 31, 2020 – devaluation of ARS; lower by approximately 5%).

During the three months ended March 31, 2021, 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 and notes payable, by approximately $0.2 million (three months ended March 31, 2020 – devaluation of ARS; reduction by approximately $0.2 million).

The effect of currency devaluation on ARS denominated bank debt and notes payable during the three months ended March 31, 2021 was a $124,879 reduction (three months ended March 31, 2020 – $53,068) in the USD equivalent amount (Notes 7 and 8).

(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 March 31, 2021:

	Change in exchange rates	Impact on net income (loss)
Foreign exchange - effect of strengthening USD:		
CAD denominated financial assets and liabilities	5%	$ 11,160
ARS denominated financial assets and liabilities	10%	$ 222,570

19. COMMITMENTS:

(a) TDF Concessions

As at March 31, 2021, the Company's share of expenditure commitments with respect to the Rio Cullen exploitation concession in TDF is $0.62 million which must be completed by August 2026.

(b) Cerro De Los Leones Concession

As at March 31, 2021, the Company's required work commitment with respect to the Cerro de Los Leones Concession is the drilling of one exploration well at an estimated cost of $2.5 million which must be completed by February 22, 2022. Should the Company fail to complete its work commitment 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 work commitment.

(c) CH Concession

As at March 31, 2021, the Company's share of expenditure commitments with respect to the CH Concession is $42.57 million, consisting of a work program for well work overs, infrastructure optimization and a multi-well drilling program to be completed over a ten-year period until March 2031.

20. SUBSEQUENT EVENTS:

On April 12, 2021, the Company paid the Province of Mendoza $4,166,500 for the acquisition of CH Concession working interest (Note 3).

On April 16, 2021, the Company paid 50% of the Banco Hipotecario Loan 4 comprised of ARS 25 million ($0.27 million) of principal and ARS 5.8 million ($61,991) of accrued interest (Note 7(b).