CROWN POINT ENERGY INC.
Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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.

"Gabriel Obrador"	*"Marisa Tormakh"*
Gabriel Obrador President and Chief Executive Officer	Marisa Tormakh Vice President Finance and Chief Financial Officer

Calgary, Alberta
March 11, 2022

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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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.

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
March 11, 2022

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

	Note	2021	2020
Assets			
Current assets:			
Cash		$ 3,221,118	$ 654,743
Trade and other receivables	6	3,312,898	2,215,779
Oil inventory		271,332	277,361
Prepaid expenses and other current assets	7	3,456,336	2,994,110
		10,261,684	6,141,993
Property and equipment	8	35,536,342	16,358,182
Exploration and evaluation assets	9	12,210,949	11,182,557
Restricted cash	11	299,560	-
Other non-current assets		-	4,608
		$ 58,308,535	$ 33,687,340
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 4,420,016	$ 1,536,890
Bank debt	10	-	1,330,590
Current portion of notes payable	11	2,169,965	-
Current taxes payable		70,950	86,667
Current portion of decommissioning provision		597,195	-
Current portion of lease liabilities	14	76,900	166,256
		7,335,026	3,120,403
Non-current trade and other payables		285,693	167,219
Non-current taxes payable		65,045	166,113
Notes payable	11	3,209,280	-
Decommissioning provision	13	11,355,084	6,724,765
Lease liabilities	14	243,013	639,433
Deferred tax liability	21	4,038,821	1,078,214
		26,531,962	11,896,147
Shareholders' equity:			
Share capital	15	56,456,328	56,456,328
Contributed surplus		600,462	412,947
Accumulated other comprehensive loss		(18,216,364)	(18,239,476)
Deficit		(7,063,853)	(16,838,606)
		31,776,573	21,791,193
		$ 58,308,535	$ 33,687,340

Commitments (Note 26)
Subsequent event (Note 27)

Approved on behalf of the Board of Directors: *"Gordon Kettleson"* Gordon Kettleson, Director   *"Pablo Peralta"* 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)

	Note		2021		2020
Revenue					
Oil and natural gas sales	18	$	28,493,336	$	11,839,371
Processing income			242,574		158,218
Export tax			(1,161,573)		(349,394)
Royalties and turnover tax			(4,682,612)		(1,977,169)
			22,891,725		9,671,026
Expenses					
Operating			11,400,721		6,646,124
General and administrative			2,968,215		2,230,027
Depletion and depreciation			6,369,818		6,044,572
Gain on acquisition of working interest	5		(9,529,551)		-
Exploration and evaluation	9		-		141,909
Fair value adjustment of contingent consideration	12		28,225		(1,262,953)
Impairment of property and equipment	19		-		9,878,000
Impairment of goodwill	19		-		1,735,549
Share-based payments	16		187,515		167,033
Foreign exchange (gain) loss			664,231		(453,298)
			12,089,174		25,126,963
Operating income (loss)			10,802,551		(15,455,937)
Net finance expense	20		(1,321,198)		(684,736)
Income (loss) before taxes			9,481,353		(16,140,673)
Tax recovery	21		293,400		3,464,739
Net income (loss)			9,774,753		(12,675,934)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of the Canadian parent company			23,112		44,682
Total comprehensive income (loss)		$	9,797,865	$	(12,631,252)
Net income (loss) per share	17				
Basic		$	0.13	$	(0.17)
Diluted		$	0.13	$	(0.17)

See accompanying notes to these consolidated financial statements.

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

	Note		2021		2020
Share capital					
Balance, January 1 and December 31	15	$	56,456,328	$	56,456,328
Contributed surplus					
Balance, January 1			412,947		245,914
Share-based payments	16		187,515		167,033
Balance, December 31			600,462		412,947
Accumulated other comprehensive loss					
Balance, January 1			(18,239,476)		(18,284,158)
Exchange differences on translation of Canadian parent company			23,112		44,682
Balance, December 31			(18,216,364)		(18,239,476)
Deficit					
Balance, January 1			(16,838,606)		(4,162,672)
Net income (loss)			9,774,753		(12,675,934)
Balance, December 31			(7,063,853)		(16,838,606)
Total shareholders' equity		$	31,776,573	$	21,791,193

See accompanying notes to these consolidated financial statements.

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

	Note	2021	2020
Operating activities:			
Net income (loss)		$ 9,774,753	$ (12,675,934)
Items not affecting cash:			
Depletion and depreciation		6,369,818	6,044,572
Gain on acquisition of working interest	5	(9,529,551)	-
Exploration and evaluation		-	141,909
Fair value adjustment of contingent consideration	12	28,225	(1,262,953)
Impairment of property and equipment		-	9,878,000
Impairment of goodwill		-	1,735,549
Share-based payments	16	187,515	167,033
Unrealized foreign exchange (gain) loss		(294,171)	(76,577)
Finance expense		1,131,366	480,838
Tax recovery	21	(293,400)	(2,401,509)
Funds flow provided by operating activities		7,374,555	2,030,928
Change in non-cash working capital	22	(502,391)	(3,019,441)
Net cash provided by (used in) operating activities		6,872,164	(988,513)
Financing activities:			
Bank debt proceeds	10	1,556,120	3,216,442
Bank debt repayment	10	(2,710,574)	(1,543,130)
Notes payable proceeds	11	5,303,938	-
Notes payable interest payments	11	(537,299)	-
Restricted cash	11	(299,560)	-
Lease payments	14	(42,565)	(175,110)
Interest expense	10	(236,981)	(304,459)
Net cash provided by financing activities		3,033,079	1,193,743
Investing activities:			
Acquisition of working interest	5	(4,166,500)	-
Exploration and evaluation expenditures	9	(821,299)	(378,535)
Property and equipment expenditures	8	(3,959,512)	(769,508)
Settlement of contingent consideration liability	12	-	(167,699)
Collection of contingent consideration receivable	12	70,116	75,232
Change in other non-current assets		3,783	(3,400)
Change in non-cash working capital	22	1,604,562	(736,062)
Net cash used in investing activities		(7,268,850)	(1,979,972)
Change in cash		2,636,393	(1,774,742)
Foreign exchange effect on cash held in foreign currencies		(70,018)	(266,318)
Cash, January 1		654,743	2,695,803
Cash, December 31		$ 3,221,118	$ 654,743

See accompanying notes to these 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.

As at December 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:

(a) Statement of compliance

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

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 11, 2022.

(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”) and Crown Point Energía S.A. (“Crown Point Energía”) is the United States dollar (“USD”); the functional currency of the Company is the Canadian dollar (“CAD”).

The presentation currency of the Company is the USD.

(d) Use of judgments and estimates

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

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.

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 regard 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.

- Leases

  The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.

- Current and deferred taxes

  Tax interpretations, regulations, court rulings 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.

- 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 income (loss) and comprehensive income (loss) and is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired. Changes in reported reserves can impact asset carrying values and the decommissioning provision due to changes in expected future cash flows.

  The Company's reserves are evaluated and reported on by independent reserve engineers at least annually in accordance with Canadian Securities Administrators' National Instrument 51-101. Reserve estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, commodity pricing and timing of future expenditures, all of which are subject to significant judgment and interpretation.

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

  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 (if available and reliably estimated).

  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, exploration and evaluation assets and/or goodwill may be required as a result of changes to these estimates and assumptions.

  The Company's concessions and exploration permits may be subject to renewals and/or extensions which require approval from local government authorities. The Company has been successful in obtaining approvals for renewals and extensions for certain of its concessions and exploration permits. 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 future renewals and/or extensions, 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.

- Leases

  Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Consolidation

Subsidiaries

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

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

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

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

Joint operations

The Company's oil and natural gas activities involve joint operations. The consolidated financial statements include the Company's share of the jointly controlled assets, liabilities 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 in the consolidated statement of income (loss) and comprehensive income (loss) and are reported as a separate component of shareholders' equity titled "Accumulated Other Comprehensive Loss".

(c) Cash

Cash consists of cash deposits held in Canadian, United States 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 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 centers 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, using a discounted cash flow method.

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 any 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 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. 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) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

(k) 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 interpretations, court rulings and 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.

(l) Financial instruments

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.

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, trade and other receivables, other non-current assets, trade and other payables, bank debt, notes payable 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 FVTPL 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 FVTPL 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 FVTPL to present subsequent changes in FVOCI with no reclassification of realized gains or losses to profit or loss upon de-recognition 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 de-recognition 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 de-recognition 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 re-measured 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 recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Derivative financial instruments

The Company has not entered into any financial derivative contracts.

(m) Impairment of financial instruments

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 applies the simplified approach permitted by IFRS 9 Financial Instruments.

(n) 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.

(o) 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.

(p) 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.

(q) Segmented operations

All natural gas, oil and condensate sales revenue is derived from Argentine operations. All exploration and evaluation assets and all material property and equipment are located in Argentina. Cash balances are held in Argentina, Canada and the United States and all of the restricted cash at December 31, 2021 and 2020 is held in

Argentina. The Company does not have any revenue in Canada other than minor interest earned on cash balances.

(r) 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.

(s) 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.

(t) 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.

(u) 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 pronouncements may impact the Company:

Amendments to IAS 16 Property, Plant and Equipment

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. Effective January 1, 2022, the amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Effective January 1, 2022, the amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Amendments to IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for the presentation of liabilities as current or non-current in the statement of financial position. The amendments are effective on January 1, 2023.

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, 2021 and 2020, the fair value of these balances approximated their carrying amount due to their short term to maturity.

The fair values of the contingent consideration receivable, contingent consideration liability, notes payable, lease liability and bank debt 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 and restricted cash are 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 instrument.

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 consideration receivable, contingent consideration liability, notes payable and lease liability are Level 3 financial instruments.

The 15% discounted after-tax cash flows expected to be derived from the Company’s CGUs’ proved plus probable reserves utilized in impairment tests performed in 2020 (Note 19) are also Level 3 financial instruments.

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 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 40.7 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:		Final fair values
Property and equipment (Note 8)	$	17,182,530
Inventory		63,737
Non-current trade and other payables		(129,228)
Decommissioning provision (Note 13)		(166,981)
Deferred tax liability (Note 21)		(3,254,007)
		13,696,051
Gain on acquisition of working interest		(9,529,551)
	$	4,166,500
Consideration:		
Cash	$	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 paid to the Province of Mendoza, thereby resulting in the recognition of a $9.5 million gain on the acquisition of the working interest.

The Company obtained an independent engineering report on the CH Concession's oil and natural gas reserves which formed the basis for the final fair value of property and equipment and related revisions to the deferred tax liability and gain on acquisition of working interest.

During 2021, the Company incurred $60,425 of costs related to the acquisition which are included in general and administrative expenses.

Since the acquisition date on March 13, 2021 to December 31, 2021, the 50% working interest in the CH Concession contributed $7.4 million of oil and gas revenue and $1.5 million of operating income (oil and gas revenue less royalties and operating expenses). Had the acquisition occurred on January 1, 2021, the Company estimates that the 50% working interest in the CH Concession would have contributed $9.3 million of oil and gas revenue and $1.9 million of operating income. 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 two Argentine companies; the majority of the Company's natural gas production is sold by the Company to several Argentine companies.

Three major purchasers that represents 100% of oil revenue reported in 2021 comprises $2,674,905 of accounts receivable at December 31, 2021 (2020 – two major purchasers, 92% of oil revenue, $1,592,777 of accounts receivable) and three major purchasers that represent 43% of natural gas revenue reported in 2021 comprise $241,877 of accounts receivable at December 31, 2021 (2020 – three major purchasers, 50% of natural gas revenue, $89,222 of accounts receivable) (Note 18).

The Company's maximum exposure to credit risk at December 31, 2021 and 2020 in respect of trade and other receivables consists of:

	2021	2020
Due from Argentine companies	$ 1,893,440	$ 859,325
Due from an international company	1,658,327	1,592,777
Other receivables	80,201	112,947
Allowance for credit losses	(319,070)	(349,270)
Total trade and other receivables	$ 3,312,898	$ 2,215,779

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

	2021	2020
Not past due (less than 90 days)	$ 3,306,349	$ 2,104,988
Past due (more than 90 days)	325,619	460,061
	3,631,968	2,565,049
Allowance for credit losses	(319,070)	(349,270)
Total trade and other receivables	$ 3,312,898	$ 2,215,779

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

		2021		2020
Prepaid expenses	$	1,587,047	$	1,279,325
Value Added Tax		1,869,289		1,714,785
	$	3,456,336	$	2,994,110

8. 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	762,566	–	6,942	–	769,508
Decommissioning revisions (Note 13)	85,272	–	–	–	85,272
Effect of change in exchange rates	–	(10,373)	–	4,955	(5,418)
Balance, December 31, 2020	76,993,031	1,015,865	505,740	303,575	78,818,211
Additions	3,924,016	–	32,877	2,619	3,959,512
Acquisition (Note 5)	17,182,530	–	–	–	17,182,530
Right-of-use asset revisions	–	(628,759)	–	–	(628,759)
Decommissioning revisions (Note 13)	4,768,049	–	–	–	4,768,049
Effect of change in exchange rates	–	(19,638)	–	2,271	(17,367)
Balance, December 31, 2021	102,867,626	367,468	538,617	308,465	104,082,176
Accumulated depletion and depreciation:					
Balance, December 31, 2019	46,012,092	133,092	391,748	280,229	46,817,161
Depletion and depreciation	5,594,280	131,942	44,206	5,355	5,775,783
Impairment (Note 19)	9,878,000	–	–	–	9,878,000
Effect of change in exchange rates	–	(15,834)	–	4,919	(10,915)
Balance, December 31, 2020	61,484,372	249,200	435,954	290,503	62,460,029
Depletion and depreciation	6,227,671	30,512	41,720	4,384	6,304,287
Disposition	–	(217,125)	–	–	(217,125)
Effect of change in exchange rates	–	(3,502)	–	2,145	(1,357)
Balance, December 31, 2021	67,712,043	59,085	477,674	297,032	68,545,834
Net carrying amount:					
At December 31, 2020	15,508,659	766,665	69,786	13,072	16,358,182
At December 31, 2021	35,155,583	308,383	60,943	11,433	35,536,342

Right-of-use assets:

The Company recognizes right-of-use assets and corresponding lease liabilities (Note 14) related to certain office premises and equipment in Argentina. Right-of-use assets are depreciated on a straight-line basis over the 10-year term of the related leases.

During 2021, the operator of the Tierra del Fuego ("TDF") Concessions entered into $227,051 of new equipment leases and terminated equipment leases for which the net book value of the related right-of-use assets was $638,685 with a corresponding lease liability of $666,976 (Note 14), resulting in a $28,291 gain reported in net finance expense in the 2021 consolidated statement of income (loss) and comprehensive income (loss).

Future development costs:

The depletion expense calculation for the year ended December 31, 2021 included $45.9 million (2020 – $4.0 million) for estimated future development costs associated with proved and probable reserves in Argentina.

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

		2021		2020
Carrying amount, beginning of year	$	11,182,557	$	10,920,359
Additions		821,299		378,535
Reclassified to exploration and evaluation expense		–		(141,909)
Decommissioning revisions (Note 13)		207,093		25,572
Carrying amount, end of year	$	12,210,949	$	11,182,557

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 year. E&E assets are not depreciated or depleted.

10. BANK DEBT:

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

		2021		2020
Balance, beginning of year	$	1,330,590	$	–
Proceeds		1,556,120		3,216,442
Repayment		(2,710,574)		(1,543,130)
Interest accrued		222,179		332,843
Interest paid		(236,981)		(304,459)
Effect of change in exchange rates		(161,334)		(371,106)
Balance, end of year	$	–	$	1,330,590

(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 1 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, with a maturity date of March 2, 2021. On March 3, 2021, the Company repaid the loan in full plus ARS 0.96 million ($0.01 million) of accrued interest.

During 2021, the Company recognized $26,044 (2020 – $206,429) of interest on the HSBC loans all of which was paid (2020 – $193,268 was paid) and $nil is included in trade and other payables as at December 31, 2021 (2020 – $9,657 (ARS 811,530)).

(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

ARS 7.5 million ($0.1 million) of accrued interest was repaid on September 28, 2020 and the remaining loan principal and ARS 0.3 million ($3,710) of accrued interest was repaid on November 27, 2020.

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 ARS 2.8 million ($0.04 million) of accrued interest was repaid on October 7, 2020 and the remaining loan principal and ARS 0.7 million ($8,880) of accrued interest was repaid 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 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 ($11,242) 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. ARS 25 million ($0.27 million) of loan principal and ARS 5.8 million ($61,991) of accrued interest was repaid on April 16, 2021 and the remaining ARS 25 million ($0.27 million) of loan principal and ARS 1.4 million ($15,101) of accrued interest was 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. ARS 12.5 million ($0.13 million) of loan principal and ARS 4.2 million ($43,727) of accrued interest was repaid on June 19, 2021 and the remaining ARS 12.5 million ($0.13 million) of loan principal and ARS 1 million ($9,935) of accrued interest was 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. ARS 12.5 million ($0.13 million) of loan principal and ARS 4.1 million ($43,155) of accrued interest was repaid on June 23, 2021 and the remaining ARS 12.5 million ($0.13 million) of loan principal and ARS 1 million ($10,627) of accrued interest was repaid on August 23, 2021.

During March 2021, the Company obtained and repaid a bank overdraft for an average balance of ARS 35.6 million ($0.4 million) at an interest rate of 43% per annum. In April 2021, the Company paid ARS 0.6 million ($6,363) of accrued interest.

During 2021, the Company recognized $189,388 (2020 – $126,414) of interest on the Banco Hipotecario loans, all of which was paid (2020 – $111,192 was paid) and $nil is included in trade and other payables as at December 31, 2021 (2020 – $9,553 (ARS 802,739)).

(c) Liminar

On June 3, 2021 and June 24, 2021 the Company obtained $80,000 and $70,000, respectively, of working capital loans from Liminar at an interest rate of 4% per annum. The loan principal amounts were repaid on June 16 and 29, 2021, respectively, along with $152 of accrued interest.

Liminar 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 24).

(d) Grupo ST S.A.

On September 23, 2021, the Company obtained a $250,000 working capital loan from Grupo ST S.A. at an interest rate of 4% per annum. The loan principal and $137 of accrued interest was repaid on September 27, 2021 (Note 24).

On October 26 2021, the Company obtained a $200,000 working capital loan from Grupo ST S.A.at an interest rate of 4% per annum. The loan principal and $66 of accrued interest was repaid on October 29, 2021 (Note 24).

11. 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 BADLAR Privados (34.16% at December 31, 2021) plus 6.75% per annum, respectively, payable quarterly.

The Company incurred $139,849 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
Unamortized transaction costs		(105,086)
Interest accrued		802,658
Interest paid		(537,299)
Effect of change in exchange rates		(224,815)
Balance, December 31, 2021	$	5,379,245
Current portion of notes payable		(2,169,965)
Long-term notes payable	$	3,209,280

Restricted cash

As at December 31, 2021, $299,560 (ARS 30.7 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 are 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.

12. 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, December 31, 2020		–		70,116		70,116
Cash collection		–		(70,116)		(70,116)
Fair value adjustment		(81,259)		53,034		(28,225)
Balance, December 31, 2021	$	(81,259)	$	53,034	$	(28,225)

(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 externally prepared December 31, 2021 and 2020 reserve reports do not exceed the base net revenue for future quarters. As a result, the estimated fair value of the contingent consideration liability at December 31, 2021 and 2020 was $nil.

The $81,259 contingent consideration liability at December 31, 2021 relates to the amount payable for the actual results of the fourth quarter of 2021. The contingent consideration liability is included in trade and other payables.

(b) Contingent consideration receivable

As part of the consideration for the disposition of a participating interest in the TDF Concessions pursuant to the April 26, 2019 ROFR Sale, 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 externally prepared December 31, 2021 and 2020 reserve reports do not exceed the base net revenue for future quarters. As a result, the estimated fair value of the contingent consideration receivable at December 31, 2021 and 2020 was $nil.

The $53,034 contingent consideration receivable at December 31, 2021 relates to the amount receivable for the actual results of the fourth quarter of 2021. The $70,116 contingent consideration receivable at December 31, 2020 relates to the amounts receivable for the second and third quarters of 2019. The contingent consideration receivable is included in trade and other receivables.

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, 2021 the estimated total undiscounted inflation-adjusted amount of cash flows required to settle the Company's obligations were approximately $15.2 million (2020 – $7.0 million). These costs are expected to be incurred over the next 1 to 24 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. A risk-free interest rate of 1.23% to 1.90% (2020 – 0.7%) and an inflation rate of 1.8% (2020 – 1.2%) was used to calculate the fair value of the decommissioning provision.

A reconciliation of the decommissioning provision is provided below:

	2021	2020
Balance, beginning of year	$ 6,724,765	$ 6,507,695
Acquisition of working interest (Note 5)	166,981	–
Revision for exploration and evaluation assets	207,093	25,572
Revision for development and production assets (Note 8)	4,768,049	85,272
Accretion (Note 20)	85,391	106,226
Balance, end of year	11,952,279	6,724,765
Current portion of decommissioning provision	(597,195)	–
Long-term portion of decommissioning provision	$ 11,355,084	$ 6,724,765

$3.4 million of the revision to the decommissioning provision for development and production assets recognized in 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 (Note 5). 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.

14. 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.

	2021	2020
Balance, beginning of year	$ 805,689	$ 950,377
Additions (Note 8)	227,051	–
Revisions (Note 8)	(666,976)	–
Interest (Note 20)	14,666	41,769
Payments	(42,565)	(175,110)
Effect of change in exchange rates	(17,952)	(11,347)
Balance, end of year	319,913	805,689
Current portion of lease liabilities	(76,900)	(166,256)
Long-term lease liabilities	$ 243,013	$ 639,433

Total expected payments under lease agreements for office and equipment are $6,239 per month ($74,866 per year) until December 31, 2026.

15. SHARE CAPITAL:

(a) Authorized

Unlimited number of common shares without par value
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

	Number of common shares	Amount
Balance, December 31, 2021 and 2020	72,903,038	$ 56,456,328

16. SHARE-BASED PAYMENTS:

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

Stock option activity for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021		2020	
	Number of Options	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
Balance, beginning of year	2,175,000	$ 0.75	2,175,000	$ 0.75
Granted	2,175,000	0.20	–	–
Balance, end of year	4,350,000	$ 0.48	2,175,000	$ 0.75
Exercisable, end of year	2,900,000	$ 0.61	1,450,000	$ 0.75

On May 31, 2021, the Company granted 2,175,000 stock options to officers and directors. The stock options are exercisable at CAD 0.20 per share until May 31, 2026 and vest one-third on the grant date and one-third on the first and second anniversaries of the grant date.

The grant date fair value of the stock options was estimated to be $315,810 using the Black-Scholes pricing model based on the following assumptions:

Grant date share price	CAD 0.17	Expected dividend	$nil
Exercise price	CAD 0.20	Risk-free interest rate	1.33%
Expected volatility [1]	133%	Forfeiture rate	0%
Expected life	5 years	Fair value per option	$0.12 (CAD 0.15)

[1] Based on historical market prices of the Company's common shares over the expected life of the stock options.

During 2021, the Company recognized $187,515 (2020 – $167,033) of share-based payment expense. As at December 31, 2021, the balance of unvested share-based payments was $93,200.

Information about stock options outstanding as at December 31, 2021 is as follows:

Expiry Date	Number of Options Outstanding	Weighted Average Exercise Price (CAD)	Weighted Average Life Remaining (Years)	Number of Options Exercisable
April 3, 2024	2,175,000	$ 0.75	2.3	2,175,000
May 31, 2026	2,175,000	$ 0.20	4.4	725,000
	4,350,000	$ 0.48	3.3	2,900,000

17. PER SHARE AMOUNTS:

	2021	2020
Net income (loss)	$ 9,774,753	$ (12,675,934)
Weighted average number of shares – basic:		
Issued common shares, beginning and end of year	72,903,038	72,903,038
Net income (loss) per share – basic	$ 0.13	$ (0.17)
Weighted average number of shares – diluted:		
Basic weighted average number of shares	72,903,038	72,903,038
Dilutive effect of outstanding stock options	111,857	– [2]
	73,014,895	72,903,038
Net income (loss) per share – diluted	$ 0.13	$ (0.17)

[2] All stock options were excluded from the diluted per share amounts as their effect is anti-dilutive in loss periods.

The Company used an average market price for its shares of CAD 0.24 per share for the year ended December 31, 2021, for the purposes of calculating the dilutive effect of stock options, based on quoted market prices for the period that in-the-money stock options were outstanding.

18. OIL AND NATURAL GAS SALES:

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

		2021		2020
Oil	$	23,773,080	$	8,250,362
Natural gas		4,582,598		3,575,653
Natural gas liquids		137,658		13,356
	$	28,493,336	$	11,839,371

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 TDF to mainland Argentina or abroad and for each transaction from the storage point at CH to the delivery point in Tupungato, Mendoza. 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. 100% of the Company's natural gas revenue earned in 2021 was from sales to the industrial market (2020 – 100% 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.

Of the Company's revenue from oil sales earned in 2021, 69% was for export sales to two purchasers and 31% was for domestic sales to two purchasers (2020 – 100% export sales; 92% to two purchasers) and $2,674,905 was in accounts receivable at December 31, 2021 (2020– $1,592,777).

All of the Company's revenue from natural gas sales earned in 2021 was for domestic sales, of which 43% was to three major purchasers (2020 – domestic sales of which 50% was to three major purchasers), of which $241,877 was in accounts receivable at December 31, 2021 (2020 – $89,222).

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

		2021		2020
Export	$	16,324,405	$	8,250,362
Domestic		12,168,931		3,589,009
	$	28,493,336	$	11,839,371

19. IMPAIRMENT:

Year ended December 31, 2021:

Although the forecasted prices used in the externally prepared December 31, 2021 reserve report increased as compared to December 31, 2020 forecasted prices (impairment reversal indicator), the effect of this increase was offset by a reduction in the TDF CGU's proved plus probable reserves from the externally prepared December 31, 2021 reserve report (impairment indicator). Based on the combined effect of these facts, no impairment or reversal of impairment was required to be recorded.

Year ended December 31, 2020:

During March and April 2020, crude oil benchmark prices decreased substantially due to a drop in global crude oil demand triggered by the impact of the COVID-19 pandemic on the global economy and due to a breakdown in

negotiations between OPEC and non-OPEC partners regarding proposed production cuts. Although crude oil prices have generally continued to improve since April 2020, the significant decline in crude oil prices that occurred in March and April 2020 and the ongoing low commodity price environment and volatility in crude oil prices may continue and could impact the Company's earnings and cash flows.

In addition to these factors, one of the Company's wells had a significant increase in its water cut in January 2020 which resulted in a notable decline in oil production. As at December 31, 2020, the decrease in the Company's proved plus probable reserves was also considered an indicator of impairment. These factors may recur and could impact the Company's earnings, cash flows and valuation of assets.

As a result of the above indicators of impairment in relation to its TDF CGU, the Company performed an impairment test at March 31, 2020 and December 31, 2020.

(a) Property and equipment

At March 31, 2020, the estimated recoverable amount for the TDF CGU based on its value-in-use was determined to be $8.25 million 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. The mechanical update used future commodity prices 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.

At December 31, 2020, the estimated recoverable amount for the TDF CGU based on its value-in-use was determined to be $1.63 million lower than the December 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 externally prepared December 31, 2020 reserve report.

In 2020, the Company recognized $9.88 million of impairment in the consolidated statement of income (loss) and comprehensive income (loss). 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.

A 1% increase in the discount rate would result in $0.05 million of additional impairment. A 5% decrease in commodity prices would result in $1.4 million of additional impairment.

Forecasted prices

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

	December 31, 2020		March 31, 2020	
Year	Average USD price per barrel of oil	Average USD price per mcf of natural gas	Average USD price per barrel of oil	Average USD price per mcf of natural gas
2020	–	–	41.00	2.62
2021	41.50	1.64	41.00	2.72
2022	45.55	1.72	47.00	3.65
2023	46.62	1.81	51.00	3.74
2024	47.71	1.90	52.18	3.87
2025	48.83	1.99	53.38	3.86
2026	49.96	2.09	54.61	3.89

(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 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.

In 2020, the Company recognized $1.7 million of impairment in the consolidated statement of income (loss) and comprehensive income (loss). Goodwill impairment is not reversed.

20. NET FINANCE EXPENSE:

		2021		2020
Interest income	$	249,191	$	52,990
Financing fees and bank charges		(439,023)		(256,888)
Interest on bank debt (Note 10)		(222,179)		(332,843)
Interest on notes payable (Note 11)		(802,658)		–
Amortization of notes payable transaction costs (Note 11)		(34,763)		–
Accretion of decommissioning provision (Note 13)		(85,391)		(106,226)
Interest on lease liabilities (Note 14)		(14,666)		(41,769)
Gain on revision of right of use assets and lease liabilities (Note 8)		28,291		–
	$	(1,321,198)	$	(684,736)

21. TAXES:

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

		2021		2020
Canadian statutory rate		23.0%		24.0%
Current tax expense (recovery) at statutory rates	$	2,180,711	$	(3,873,761)
(Non-taxable) non-deductible items and other		(1,814,836)		2,425,861
Effect of tax rate differences		669,143		(58,714)
Effect of tax return filings		421,993		(1,283,777)
Withholding tax		–		324,237
Foreign exchange		1,404,245		(1,099,721)
Acquisition of working interest (Note 5)		(3,254,007)		–
Change in unrecognized deferred tax assets		99,351		101,136
Tax recovery	$	(293,400)	$	(3,464,739)

The reduction in the Canadian statutory income tax rate is due to a reduction in the provincial statutory tax rate from 10% on January 1, 2020 to 8% on July 1, 2020.

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

		2021		2020
Current tax recovery	$	–	$	(1,063,230)
Deferred tax recovery		(293,400)		(2,401,509)
Tax recovery	$	(293,400)	$	(3,464,739)

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 reported in 2021 is related to changes in the Company's ARS denominated tax pools combined with the effect of an increase in the Argentine corporate income 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. The current tax recovery reported in 2020 is primarily related to the difference between the estimated tax expense for 2019 and the final Argentine tax filings which were lower than the reported amount.

The change in the Argentine corporate income tax rate occurred on June 16, 2021 by Decree No. 387/2021 and PEN passed Law No. 27630 which establishes a new tiered structure of income tax rates, with three segments according to the cumulative taxable net income level.

The new tax rates, effective for fiscal years commencing January 1, 2021, are as follows:

- 25% on cumulative taxable net income of up to ARS 5 million;
- 30% on taxable net income exceeding ARS 5 million and up to ARS 50 million plus a fixed amount of ARS 1.3 million; and
- 35% on taxable net income exceeding ARS 50 million plus a fixed amount of ARS 14.8 million.

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

	2021	2020
Property and equipment and E&E assets	$ (10,234,088)	$ (4,537,729)
Decommissioning obligation	4,183,298	1,681,192
Foreign exchange and other	1,018,141	1,208,404
Non-capital tax loss carry forwards	993,828	569,919
Deferred tax liability	$ (4,038,821)	$ (1,078,214)

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

	2021	2020
Balance, beginning of year	$ (1,078,214)	$ (3,479,723)
Acquisition of working interest (Note 5)	(3,254,007)	–
Deferred tax recovery	293,400	2,401,509
Balance, end of year	$ (4,038,821)	$ (1,078,214)

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:

	2021	2020
Property and equipment and E&E assets	$ 4,654,691	$ 4,615,626
Non-capital loss carry forwards	19,050,387	18,586,191
Share issue costs	58,178	142,152
Foreign exchange and other	1,697,013	1,684,339
	$ 25,460,269	$ 25,028,308

As at December 31, 2021, the Company has approximately $19.1 million (2020 – $18.6 million) of non-capital losses in Canada and $2.8 million (2020 – $2.3 million) of non-capital tax losses in Argentina available to reduce taxable income. Canadian non-capital losses expire at various times between 2028 and 2041; Argentine tax losses do not expire.

The Company has temporary differences associated with its investments in its foreign subsidiaries. At December 31, 2021 and 2020, 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		2021		2020
Trade and other receivables	$	(1,114,201)	$	620,496
Inventory		4,235		485,535
Prepaid expenses and other current assets		(462,226)		(26,382)
Trade and other payables		2,791,113		(1,915,016)
Taxes payable		(116,785)		(2,920,247)
Effect of change in exchange rates		35		111
	$	1,102,171	$	(3,755,503)
Attributable to:				
Operating activities	$	(502,391)		(3,019,441)
Investing activities		1,604,562	$	(736,062)
	$	1,102,171	$	(3,755,503)

(b) As at December 31, 2021, the Company held $3,221,118 (2020 – $654,743) of cash in Canadian, United States and Argentine banks.

(c) During 2021, the Company paid $222,179 (2020 – $304,459) of interest expense on bank debt (Note 10) and $537,299 (2020 – $nil) on notes payable (Note 11).

(d) During 2021, the Company paid $77,834 (ARS 7,288,555) to Argentine tax authorities related to corporate income tax (2020 – $1,326,517 (ARS 93,699,000)).

23. PERSONNEL EXPENSES:

(a) Salaries and benefits

The Company's consolidated statement of income (loss) and comprehensive income (loss) is prepared primarily by nature of expense, with the exception of $1,236,766 of salaries and benefits for employees and executive management which are included in general and administrative expenses for the year ended December 31, 2021 (2020 – $1,047,640).

(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, 2021, key management personnel included 7 individuals (2020 – 7 individuals) and the related compensation recognized in the consolidated statement of income (loss) and comprehensive income (loss) comprised the following:

		2021		2020
Salaries and benefits	$	447,362	$	449,378
Director fees		110,127		103,367
Share-based payments		187,515		167,033
	$	745,004	$	719,778

24. 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 2021, the Company was charged $nil (2020 – $40,000) 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.

During 2021, Liminar also charged the Company $4,161 (2020 – $7,408) in loan guarantee fees (Note 10(c)) 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 5).

During 2021, the Company obtained and repaid two working capital loans from Liminar (Note 10(c)) which accrued interest of $152.

Mr. Pablo Peralta is a director of the Company and is a director and shareholder of Grupo ST S.A. During 2021, the Company obtained and repaid two working capital loans from Grupo ST S.A., including $203 of accrued interest (Note 10(d)).

Included in trade and other payables as at December 31, 2021 is $nil (2020 – $nil) payable to Liminar.

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 and contingent consideration receivable.

Cash is held with highly-rated Canadian, United States 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.

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. As at December 31, 2021 and 2020, the Company have receivables

due from Roch S.A. for an amount of $22,210 and nil, respectively. The receivable as at December 31,2021 is related to the contingent consideration receivable for the actual results of the fourth quarter of 2021.

(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, 2021, the Company has working capital of $2,926,658 which includes $6,534,016 of financial assets comprised of cash and trade and other receivables and $6,737,831 of financial liabilities comprised of trade and other payables, current portion of notes payable and current portion of lease liabilities with a contractual maturity of less than one year. During the year ended December 31, 2021, the Company reported net cash provided by operating activities in the amount of $6,872,164.

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, 2021, a 5% change in the commodity prices earned by the Company would change oil and gas revenue by approximately $1.4 million (2020 – approximately $0.6 million) and net income (loss) by approximately $0.8 million (2020 – $0.5 million).

(ii) Interest rate risk

The Company is exposed to interest rate fluctuations at December 31, 2021 on certain notes payable (Note 11) which bear interest at BADLAR Privados (34.16% at December 31, 2021) plus 6.75% per annum. Other notes payable bear interest at a fixed rate of 8%. There are no investments of excess cash in short-term money market investments held with international banks at December 31, 2021.

For the year ended December 31, 2021, a 10% change in the BADLAR Privados rate would change interest expense by approximately $150,600 and net income (loss) by approximately $97,900.

(iii) 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, 2021	Balance denominated in				Total USD equivalents	
		CAD		ARS		
Cash	$	1,920	$	328,003,537	$	3,200,927
Restricted cash	$	–	$	30,710,927	$	299,560
Trade and other receivables	$	5,497	$	8,878,853	$	90,949
Trade and other payables	$	(300,489)	$	(302,193,747)	$	(3,179,334)
Current and long-term taxes payable	$	–	$	(13,969,672)	$	(135,995)
Notes payable	$	–	$	(198,587,585)	$	(1,933,286)
Lease liabilities	$	–	$	(24,150,899)	$	(235,114)

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)

(iv) Currency devaluation:

Exchange rates as at December 31	2021	2020
CAD to USD [1]	0.7901	0.7842
ARS to USD [1]	0.0098	0.0119
USD to ARS [2]	102.62	84.10

[1] Source OFX [2] Source BNA (National Bank of Argentina)

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 2021, the devaluation of ARS resulted in lower TDF and CH operating costs and general and administrative expenses incurred in Argentina by approximately 11% (2020– devaluation of ARS; lower by approximately 19%).

During 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 \$0.03 million (2020 – devaluation of ARS; reduction by approximately \$0.6 million).

The effect of currency devaluation on ARS denominated bank debt and notes payable during 2021 was a \$386,215 reduction (2020 – \$371,106) in the USD equivalent amount (Note 10).

(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, 2021 and 2020:

	Change in exchange rates		2021		2020
Foreign exchange - effect of strengthening USD:					
CAD denominated financial assets and liabilities	5%	$	11,580	$	3,770
ARS denominated financial assets and liabilities	10%	$	166,930	$	198,780

26. COMMITMENTS:

(a) TDF Concessions

As at December 21, 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) CH Concession

As at December 31, 2021, the Company's share of expenditure commitments with respect to the CH Concession is \$40.34 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.

(c) Cerro De Los Leones Concession

As at December 31, 2021, the Company's required work commitment with respect to the Cerro de Los Leones ("CLL") Concession is the drilling of one exploration well at an estimated cost of $2.5 million which must be completed by February 22, 2022. The Company drilled one exploration well in early 2022, prior to February 22, 2022, but has made an application to the Province of Mendoza to extend the deadline for twelve months to provide the Company time to finish completion operations and evaluate test results.

27. SUBSEQUENT EVENT:

On January 14, 2022, the Company obtained a $0.5 million working capital loan with Sociedad de Bolsa Centaurus S.A. at an interest rate of 4% per annum and a fee of 0.5% of the loan principal. The loan was repaid on January 21, 2022.

On February 18, 2022, the Company obtained an ARS 30 million ($0.3 million) working capital loan with Banco CMF S.A. repayable on August 18, 2022 and bearing interest at a variable rate calculated and payable monthly. The interest rate is 46% for the first month and thereafter will be calculated based on the BADLAR Corregida (currently 49%) plus 4.5% per annum. The Company paid a structuring fee of 0.5% of the loan principal.

On February 23, 2022, the Company obtained an overdraft of up to ARS 150 million ($1.4 million) with Banco Hipotecario at an interest rate of 40.5% per annum for a maximum term of six months. The overdraft is guaranteed by Liminar under the agreement with Banco Hipotecario (Note 10(c)).