CROWN POINT ENERGY INC.
Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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 13, 2023

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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- 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.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of petroleum and natural gas reserves on net development and production (D&P) assets *Refer to note 2 – Basis of presentation, note 3 – Significant accounting policies, note 8 – Property and equipment and note 20 – Impairment of property and equipment to the consolidated financial statements.* The Company had $42.4 million of net D&P assets in the cash generating units (CGUs) as at December 31, 2022. Depletion and depreciation (D&D) expense for the CGUs was $7.4 million for the year then ended. D&P 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 petroleum and natural gas proved and probable reserves (the reserves), taking into account the estimated future development costs necessary to bring those reserves into production. At the end of each reporting period, the Company reviews D&P assets for circumstances that indicate the D&P assets may be impaired. The D&P assets are grouped together into CGUs for the purposes of impairment testing. If any such indication of impairment exists, the Company determines the CGUs' recoverable amounts. Impairment is identified by comparing the recoverable amount of the CGU to its carrying amount.	Our approach to addressing the matter included the following procedures, among others: • The work of management's experts was used in performing the procedures to evaluate the reasonableness of the reserves to determine D&D expense including the estimated future development costs necessary to bring those reserves into production, and the recoverable amounts of the Company's CGUs. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. • Tested how management determined the recoverable amounts of the Company's CGUs and D&D expense, which included the following: − Evaluated the appropriateness of the methods used by management in making these estimates. − Tested the data used in determining these estimates. − Recalculated the units of production rates used to calculate D&D expense for the Company's CGUs.

Key audit matter	How our audit addressed the key audit matter
As at December 31, 2022, the Company identified indicators of impairment and performed impairment tests of the Company's CGUs. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value-in-use. Management used fair value less cost of disposal to determine the recoverable amounts of the CGUs, which is based on the discounted after-tax cash flows of reserves. The reserves are evaluated and reported on by independent reserve engineers (management's experts). As a result of the impairment tests performed, the Company recognized an impairment charge to the Tierra del Fuego CGU of $2.1 million. The significant assumptions used by management to determine the recoverable amounts of the CGUs include the reserves, projected future rates of production, future commodity pricing, timing and amounts of future expenditures and the discount rate. We determined that this is a key audit matter due to (i) the significant judgment by management, including the use of management's experts and the development of significant assumptions; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.	− Evaluated the reasonableness of the significant assumptions used by management in developing the underlying estimates, including: o projected future rates of production, timing and amount of future expenditures by considering the current and past performance of the Company's CGUs and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable; o future commodity pricing by considering third party industry forecasts; and o discount rate, through the assistance of professionals with specialized skill and knowledge in the field of valuation.
Valuation of property and equipment (P&E) assets acquired in Puesto Pozo Cercado Oriental Exploitation Concession *Refer to note 3 – Significant accounting policies and note 5 – Acquisition of working interests to the consolidated financial statements.*	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of the acquired P&E assets, which included the following: − Read the purchase agreement.

Key audit matter	How our audit addressed the key audit matter
During the year ended December 31, 2022, the Company acquired a 50% working interest in the Puesto Pozo Cercado Oriental hydrocarbon exploitation concession (the PPCO Concession) for a cash payment of $5 million and up to an additional $7.5 million in contingent consideration. This acquisition was accounted for as a business combination whereby the identifiable assets acquired and liabilities assumed were recorded at their fair values on the acquisition date. Management determined the fair value of the acquired P&E to be $7.4 million. Management determined this fair value based on the net present value of the estimated future cash flows expected to arise from the continued use of the acquired P&E assets. The assumptions and estimates used to determine the fair value of the acquired P&E assets require significant judgment by management and include acquired proved and probable reserves, projected future rates of production, future commodity pricing, timing and amount of future expenditures and the discount rate. The acquired proved and probable reserves are evaluated and reported on by independent reserve engineers (management's experts). We considered this a key audit matter due to the significant judgment applied by management to determine the fair value of the acquired P&E assets, including the use of management's experts and the development of significant assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the significant assumptions used by management. The audit effort involved	– Evaluated the appropriateness of the discounted cash flow model and tested the mathematical accuracy thereof. – Tested the data used in determining the fair value of the acquired P&E assets. – Evaluated the reasonableness of significant assumptions used in determining the fair value by: o considering actual performance of the PPCO Concession and evidence obtained in other areas of the audit for the projected future rates of production, timing and amount of future expenditures; o considering third party industry forecasts for the future commodity pricing; o using professionals with specialized skill and knowledge in the field of valuation for the discount rate; and o the work of management's experts was used in performing the procedures to evaluate the reasonableness of the acquired proved and probable reserves used to determine the fair value of the P&E assets. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Key audit matter	How our audit addressed the key audit matter
the use of professionals with specialized skill and knowledge in the field of valuation.	

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 13, 2023

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

	Note		2022		2021
Assets					
Current assets:					
Cash		$	536,752	$	3,221,118
Trade and other receivables	6		3,536,655		3,312,898
Oil inventory	3 d)		1,584,591		271,332
Prepaid expenses and other current assets	7		4,194,184		3,456,336
			9,852,182		10,261,684
Property and equipment	8		43,963,610		35,536,342
Exploration and evaluation assets	9		14,115,555		12,210,949
Restricted cash	11		252,200		299,560
		$	68,183,547	$	58,308,535
Liabilities and Shareholders' Equity					
Current liabilities:					
Trade and other payables	12	$	6,107,607	$	4,420,016
Bank debt	10		4,123,737		-
Current portion of notes payable	11		7,233		2,169,965
Current taxes payable			37,707		70,950
Current portion of decommissioning provision	14		365,418		597,195
Current portion of lease liabilities	15		483,527		76,900
			11,125,229		7,335,026
Non-current trade and other payables	12		547,493		285,693
Non-current taxes payable			-		65,045
Notes payable	11		14,535,149		3,209,280
Decommissioning provision	14		10,947,914		11,355,084
Lease liabilities	15		972,363		243,013
Deferred tax liability	23		4,155,067		4,038,821
			42,283,215		26,531,962
Shareholders' equity:					
Share capital			56,456,328		56,456,328
Contributed surplus	17		675,195		600,462
Accumulated other comprehensive loss			(18,260,539)		(18,216,364)
Deficit			(12,970,652)		(7,063,853)
			25,900,332		31,776,573
		$	68,183,547	$	58,308,535

Commitments (Note 28)
Subsequent events (Note 29)

Approved on behalf of the Board of Directors:

"Gordon Kettleson"
Gordon Kettleson, Director

"Pablo Peralta"
Pablo Peralta, Director

CROWN POINT ENERGY INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31
(United States Dollars)

	Note		2022		2021
Revenue					
Oil and natural gas sales	19	$	33,040,620	$	28,493,336
Processing income			232,493		242,574
Export tax			(1,071,563)		(1,161,573)
Royalties and turnover tax			(5,677,638)		(4,682,612)
			26,523,912		22,891,725
Expenses					
Operating			16,650,447		11,400,721
General and administrative	21		3,573,814		2,968,215
Depletion and depreciation			7,248,167		6,369,818
Gain on acquisition of working interest	5		-		(9,529,551)
Loss on decommissioning provision	14		54,228		-
Fair value adjustment of contingent consideration	13		(1,088,980)		28,225
Impairment of property and equipment	20		2,047,000		-
Share-based compensation expense	17		74,733		187,515
Foreign exchange losses			562,673		664,231
			29,122,082		12,089,174
Operating income (loss)			(2,598,170)		10,802,551
Net finance expense	22		(3,915,619)		(1,321,198)
(Loss) income before taxes			(6,513,789)		9,481,353
Tax recovery	23		606,990		293,400
Net (loss) income			(5,906,799)		9,774,753
Other comprehensive (loss) income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of the Canadian parent company			(44,175)		23,112
Total comprehensive (loss) income		$	(5,950,974)	$	9,797,865
Net (loss) income per share	18				
Basic		$	(0.08)	$	0.13
Diluted		$	(0.08)	$	0.13

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		2022		2021
Share capital					
Balance, January 1 and December 31	16	$	56,456,328	$	56,456,328
Contributed surplus					
Balance, January 1			600,462		412,947
Share-based payments	17		74,733		187,515
Balance, December 31			675,195		600,462
Accumulated other comprehensive loss					
Balance, January 1			(18,216,364)		(18,239,476)
Exchange differences on translation of Canadian parent company			(44,175)		23,112
Balance, December 31			(18,260,539)		(18,216,364)
Deficit					
Balance, January 1			(7,063,853)		(16,838,606)
Net (loss) income			(5,906,799)		9,774,753
Balance, December 31			(12,970,652)		(7,063,853)
Total shareholders' equity		$	25,900,332	$	31,776,573

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

	Note	2022	2021
Operating activities:			
Net (loss) income		$ (5,906,799)	$ 9,774,753
Items not affecting cash:			
Depletion and depreciation		7,248,167	6,369,818
Gain on acquisition of working interest	5	-	(9,529,551)
Fair value adjustment of contingent consideration	13	(1,088,980)	28,225
Impairment of property and equipment		2,047,000	-
Share-based payments	17	74,733	187,515
Unrealized foreign exchange (gain) loss		(2,146,818)	(294,171)
Finance expense		3,347,841	1,131,366
Loss on decommissioning provision	14	54,228	-
Tax provision	23	(606,990)	(293,400)
Funds flow provided by operating activities		3,022,382	7,374,555
Change in non-cash working capital	24	(1,687,567)	(502,391)
Net cash provided by operating activities		1,334,815	6,872,164
Financing activities:			
Bank debt proceeds	10	17,111,226	1,556,120
Bank debt repayments	10	(11,313,004)	(2,710,574)
Notes payable proceeds	11	10,016,860	5,303,938
Notes payable repayments	11	(657,820)	-
Notes payable interest payments	11	(1,030,132)	(537,299)
Restricted cash		47,360	(299,560)
Lease payments	15	(66,997)	(42,565)
Interest paid	10	(1,598,687)	(236,981)
Net cash provided by financing activities		12,508,806	3,033,079
Investing activities:			
Acquisition of working interest	5	(5,000,000)	(4,166,500)
Property and equipment expenditures	8	(10,352,624)	(3,959,512)
Exploration and evaluation expenditures	9	(2,563,518)	(821,299)
Decommissioning expenditures	14	(130,218)	-
Collection of contingent consideration receivable	13	57,448	70,116
Change in other non-current assets		-	3,783
Change in non-cash working capital	24	1,706,386	1,604,562
Net cash used in investing activities		(16,282,526)	(7,268,850)
Change in cash		(2,438,905)	2,636,393
Foreign exchange effect on cash held in foreign currencies		(245,461)	(70,018)
Cash, January 1		3,221,118	654,743
Cash, December 31		$ 536,752	$ 3,221,118

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, 2022, 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 13, 2023.

(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.

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.

- Joint arrangements

  Judgment is required to determine when the Company has joint control over an arrangement. In establishing joint control, the Company considers whether unanimous consent is required to direct the activities that significantly affect the returns of the arrangement, such as the capital and operating activitiesof the arrangement.

  Once joint control has been established, judgment is also required to classify as a joint arrangement. The type of joint arrangement is determined through analysis of the rights and obligations arising from the arrangement by considering its structure, legal form, and terms agreed upon by the parties sharing control. An arrangement where the controlling parties have rights to the assets and revenues and obligations for the liabilities and expenses is classified as a joint operation.

- 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 Company has two CGUs: (1) the Tierra del Fuego ("TDF") CGU comprised of the TDF Concessions and (2) the Mendoza CGU comprised of the Chañares Herrados ("CH") Concession and the Puesto Pozo Cercado Oriental ("PPCO") Concession. 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 determining the smallest group of assets that generate cash inflows that are largely independent of each other.

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

- 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 measuring the recoverable amount of the Company's development and production assets when indicators of impairment are present. 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. Significant assumptions include projected future rates of production, future commodity pricing and operating costs and timing and amount of future development expenditures, all of which are subject to significant judgment and interpretation.

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

  If any indication exists that an asset or CGU may be impaired, the Company estimates the recoverable amount. The recoverable amounts of individual assets and cash-generating units are determined based on the higher of value-in-use and fair value less cost of disposal (if available and reliably estimated).

  These calculations require the use of estimates and assumptions, such as estimates of petroleum and natural gas proved and probable reserves (the “reserves”), future production rates, oil and natural gas prices, future operating cost and development expenditures and other relevant assumptions, all of which are subject tochange. A material adjustment to the carrying value of the Company’s development and production, exploration and evaluation assets 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 petroleum and natural gas proved and 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 petroleum and natural gas proved and probable 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.

- 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

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.

Business combinations

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 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. The cost of producing crude oil is accounted for on a weighted average basis. This cost includes all expenditures incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil is the production cost, including royalties and the appropriate proportion of depletion and depreciation and such costs are excluded from the consolidated statement of income (loss) and comprehensive income (loss) until such time as the related inventory is sold. 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.

(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 petroleum and natural gas 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 cash flows of the related CGU 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 of disposal 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 of disposal of oil and gas assets is generally determined as the net present value of the estimated cash flows expected to arise from the continued use of the assets, including any expansion prospects, and its eventual disposal, using assumptionsthat an independent market participant may take into account. These cash flows are discounted by an appropriatediscount rate which would be applied by 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 is 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 petroleum and natural gas 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 theD&P assets may be impaired. The D&P assets are grouped together into CGUs for the purpose of impairment testing. If any such indication of impairment exists, the Company determines the CGUs recoverable amount. Impairment is identified by comparing the recoverable amount of the CGU to its carrying amounts A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value-in-use, using a discounted cash flow method (level 3).

The estimated cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimated cash flows are generally computed by reference to the present value of future cash flows expected to be derived from the production of petroleum and natural gas proved and probable reserves. The reserves are evaluated and reported on by independent reserve engineers (management's experts).

Fair value less cost of disposal 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 of disposal 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.

The significant assumptions used by management to determine the recoverable amount of the CGUs include reserves, projected future rates of production, future commodity pricing, timing and amount of future expenditures, and the discount rate.

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) 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.

(h) 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.

(i) 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.

(j) Taxes

Taxes on earnings for the periods presented are comprised of current and deferred tax. Taxes are recognized in earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax 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.

(k) 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 consideration 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-recognitionof the equity instruments.

- Financial liabilities at FVTPL

  The Company classifies the contingent consideration 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Segmented operations

The Company has one operating segment in Argentina where all natural gas, oil and condensate sales revenue is derived from upstream operations and exploration and evaluation assets and all material property and equipment are located. Cash balances are held in Argentina, Canada and the United States and all of the restricted cash at December 31, 2022 and 2021 is held in Argentina. The Company does not have any revenue in Canada other than minor interest earned on cash balances.

(q) 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.

(r) 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.

(s) 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.

(t) Government grants

Government grants are recognized by the Company when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants relating to incurred expenses are recognized as income or reduction of expense over the period in which the cost they are intended to compensate are recognized. Government grants relating to development and production asset expenditures are recognized as a reduction of development and production costs.

(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 1 Presentation of Financial Statements

Effective January 1, 2023, amendments to IAS 1 require that companies disclose its material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability as current or non-current.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2023, amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

Amendments to IAS 12 Income Taxes

Effective January 1, 2023, amendments to IAS 12 relate to deferred tax assets and liabilities arising from a single transaction and clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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, 2022 and 2021, 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.

(United States dollars)

The 15.7% discounted after-tax cash flows expected to be derived from the Company's CGUs' petroleum and natural gas proved and probable reserves utilized in impairment tests performed in 2022 and 2021 (Note 20) 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 INTERESTS:

a) Puesto Pozo Cercado Oriental Exploitation Concession

Effective July 1, 2022, the Company acquired a 50% working interest in the Puesto Pozo Cercado Oriental hydrocarbon exploitation concession (the "PPCO Concession") from Aconcagua for a cash payment of $5 million and up to an additional $7.53 million in quarterly installments based on a percentage of the net operating income (oil and gas revenue less royalties, turnover and other taxes and operating expenses) derived from the Company's 50% working interest PPCO Concession (the "Contingent Consideration"), provided that the Contingent Consideration is not payable until the Company has recovered its initial $5 million investment from its share of the net operating income derived from the PPCO Concession.

Aconcagua retained the remaining 50% working interest in the PPCO Concession. The PPCO Concession, which expires in August 2043, is located in the Cuyana basin in the Province of Mendoza adjacent to the CH Concession and covers approximately 63 square kilometers.

Under the terms of the exploitation license agreement, the joint venture will pay an 18.2% royalty on oil production and commit to a $26.8 million ($13.4 million net to Crown Point) work program which includes well work overs, infrastructure optimization and a multi-well drilling program that must be fulfilled by August 2028. The PPCO Concession is operated jointly with the CH Concession by Aconcagua.

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

Fair value of net assets:		Preliminary fair values		Revision		Final fair values
Property and equipment	$	8,180,582	$	(796,038)	$	7,384,544
Inventory		8,948		–		8,948
Working capital		109,772		–		109,772
Decommissioning provision (Note 14)		(89,021)		–		(89,021)
Deferred tax liability (Note 23)		(1,082,047)		358,811		(723,236)
		7,128,234		(437,227)		6,691,007
Gain on acquisition of working interest		(1,046,626)		1,046,626		–
	$	6,081,608	$	609,399	$	6,691,007
Consideration:						
Cash	$	5,000,000	$	–	$	5,000,000
Working capital		141,654		–		141,654
Contingent consideration liability (Note 13)		939,954		609,399		1,549,353
	$	6,081,608	$	609,399	$	6,691,007

The preliminary estimates of fair value were made by management at the time of the acquisition based on available information at that time and were based on 15.44% discounted after-cash flow. Subsequently, the Company received an updated estimation of the fair value the petroleum and natural gas proved and probable reserves for the PPCO Concession reported on by independent engineers which formed the basis for the final fairvalue of property and equipment and the contingent liability portion of consideration.

(United States dollars)

As a result, the Company adjusted the preliminary fair value of net assets acquired upon the finalization of fair values and consideration.

Management determined this fair value based on the net present value of the estimated future cash flows expected to arise from the continued use of the acquired Property and equipment 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 a market participant to arrive at a net present value of the assets.

The assumptions and estimates used to determine the acquired proved and probable reserves and the fair value of the acquired property and equipment assets require significant judgment by management and include acquired proved and probable reserves, projected future rates of production, future commodity pricing, timing and amount of future expenditures and the discount rate. The acquired proved and probable reserves are evaluated and reported on by independent reserve engineers (management's experts).

During 2022, the Company incurred $76,836 of costs related to the acquisition which are included in general and administrative expenses.

Since July 1, 2022, the PPCO Concession contributed $1.4 million of oil and gas sales revenue and $0.4 million of net operating income. Had the acquisition occurred on January 1, 2022, the Company estimates that revenue from oil and gas sales would have increased by approximately $2.8 million and net operating income would have increased by approximately $0.9 million. The pro forma information is not necessarily representative of future revenue and operations.

b) Chañares Herrados Concession

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 identifiable 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 14)		(166,981)
Deferred tax liability (Note 23)		(3,254,007)
		13,696,051
Gain on acquisition of working interest		(9,529,551)
	$	4,166,500
Consideration:		
Cash	$	4,166,500

Management determined this fair value based on the net present value of the estimated future cash flows expected to arise from the continued use of the acquired Property and equipment 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 a market participant to arrive at a net present value of the assets.

(United States dollars)

The assumptions and estimates used to determine the acquired reserves and the fair value of the acquired property and equipment assets require significant judgment by management and include acquired reserves, projected future rates of production, future commodity pricing, timing and amount of future expenditures and the discount rate. The acquired proved and probable reserves are evaluated and reported on by independent reserve engineers (management's experts).

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 93% of oil revenue reported in 2022 comprise $2,378,567 of accounts receivable at December 31, 2022 (2021 – three major purchasers, 100% of oil revenue, $2,674,905 of accounts receivable) and three major purchasers that represent 58% of natural gas revenue reported in 2022 comprise $615,979of accounts receivable at December 31, 2022 (2021 – three major purchasers, 43% of natural gas revenue, $241,877of accounts receivable) (Note 19).

The Company's maximum exposure to credit risk at December 31, 2022 and 2021 in respect of trade and other receivables consists of:

		2022		2021
Due from Argentine companies	$	1,139,064	$	1,893,440
Due from an international company		2,378,567		1,658,327
Due from related parties (Note 26)		80,699		–
Other receivables		195,845		80,201
Allowance for credit losses		(257,520)		(319,070)
Total trade and other receivables	$	3,536,655	$	3,312,898

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

(United States dollars)

		2022		2021
Not past due (less than 90 days)	$	3,476,022	$	3,306,349
Past due (more than 90 days)		318,153		325,619
		3,794,175		3,631,968
Allowance for credit losses		(257,520)		(319,070)
Total trade and other receivables	$	3,536,655	$	3,312,898

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

		2022		2021
Prepaid expenses	$	2,541,319	$	1,587,047
Value Added Tax		1,652,865		1,869,289
	$	4,194,184	$	3,456,336

8. PROPERTY AND EQUIPMENT:

	Argentina			Canada	
	Development and Production Assets	Right-of-Use Assets	Other Assets	Other Assets	Total
Cost:	$	$	$	$	$
Balance, December 31, 2020	76,993,031	1,015,865	505,740	303,575	78,818,211
Additions	3,924,016	–	32,877	2,619	3,959,512
Acquisition (Note 5(b))	17,182,530	–	–	–	17,182,530
Right-of-use asset revisions	–	(628,759)	–	–	(628,759)
Decommissioning revisions (Note 14)	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
Additions	10,267,317	–	85,307	–	10,352,624
Acquisition (Note 5(a))	7,384,544	–	–	–	7,384,544
Government grants	(169,677)	–	–	–	(169,677)
Decommissioning revisions (Note 14)	(795,367)	–	–	–	(795,367)
Right-of-use asset additions (Note 15)	–	1,397,670	–	–	1,397,670
Right-of-use asset revisions (Note 15)	–	(151,015)	–	–	(151,015)
Effect of change in exchange rates	–	(107,998)	–	(20,222)	(128,220)
Balance, December 31, 2022	119,554,443	1,506,125	623,924	288,243	121,972,735
Accumulated depletion and depreciation:					
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
Depletion and depreciation	7,384,427	56,447	48,022	3,338	7,492,234
Right-of-use asset revisions (Note 15)	–	(39,809)	–	–	(39,809)
Impairment (Note 20)	2,047,000	–	–	–	2,047,000
Effect of change in exchange rates	–	(16,528)	–	(19,606)	(36,134)
Balance, December 31, 2022	77,143,470	59,195	525,696	280,764	78,009,125
Net carrying amount:					
At December 31, 2021	35,155,583	308,383	60,943	11,433	35,536,342
At December 31, 2022	42,410,973	1,446,930	98,228	7,479	43,963,610

(United States dollars)

Government grants:

In December 2020 and July 2021, respectively, the Province of Mendoza created the Mendoza Activa Hydrocarbons Program (“Program I”) and the Mendoza Activa Hydrocarbons II Program (“Program II”) (collectively, the “Activa Programs”) to promote and increase the development and reactivation of hydrocarbon activity in the Province. The Activa Programs will provide a refund (“government grant”) of up to 40% of amounts invested in Province prior to December 31, 2022 that meet certain technical and economic requirements. Government grants are paid as follows:

- 50% in the form of a turnover tax credit that is freely transferable and may be applied against up to 10% of the holder’s monthly turnover tax balance; and
- 50% in the form of a royalty credit that can be applied against provincial royalties on incremental production obtained from the related investment.

Government grants received under Program I expire on December 31, 2023; government grants received under Program II expire on December 31, 2025 and may be extended for up to three years if certain criteria are met.

During 2022, the Company received ARS 27.2 million ($0.2 million) of Program I and Program II turnover tax and royalty credits of related to investments in the CH Concession.

Right-of-use assets:

The Company recognizes right-of-use assets and corresponding lease liabilities (Note 15) 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 15), resulting in a $28,291 gain reported in net finance expense in the 2021 consolidated statement of income (loss) and comprehensive income (loss).

During 2022, the Company identified new leases and renewed certain leases for which the related lease liability and right-of-use asset was determined to be $1,397,670 on the renewal date. The remaining right-of-use asset net book value of the original office lease was $111,206 with a corresponding lease liability of $119,563 (Note 15), resulting in an $8,357 gain reported in net finance expense in the 2022 consolidated statement of income (loss) and comprehensive income (loss).

Future development costs:

The depletion expense calculation for the year ended December 31, 2022 included $59.9 million (2021 – $45.9 million) for estimated future development costs associated with petroleum and natural gas proved and probable reserves in Argentina.

9. EXPLORATION AND EVALUATION ASSETS (‘‘E&E’’):

		2022		2021
Carrying amount, beginning of year	$	12,210,949	$	11,182,557
Additions		2,563,518		821,299
Decommissioning revisions (Note 14)		(10,461)		207,093
Loss on decommissioning (Note 14)		(78,576)		–
Government grants		(569,875)		–
Carrying amount, end of year	$	14,115,555	$	12,210,949

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.

During 2022, the Company fulfilled the decommissioning obligation for an E&E well that was written-off in a previous year. The loss on decommissioning represents the write-off of the carrying amount of decommissioning revisions related to the previously written-off well.

Government grants:

(United States dollars)

During 2022, the Company received ARS 100.7 million ($0.6 million) of Program II turnover tax and royalty credits of related to investments in the Cerro de Los Leones ("CLL") Concession.

10. BANK DEBT:

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

	2022	2021
Balance, beginning of year	$ –	$ 1,330,590
Proceeds	17,111,226	1,556,120
Repayment	(11,313,004)	(2,710,574)
Interest accrued (Note 22)	1,849,651	222,179
Interest paid	(1,598,687)	(236,981)
Effect of change in exchange rates	(1,925,449)	(161,334)
Balance, end of year	$ 4,123,737	$ –

(a) HSBC Bank Argentina S.A.

On September 3, 2020, the Company obtained an ARS 35.2 million ($0.47 million) working capital loan from HSBC Bank Argentina S.A. 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.

On June 9, 2022, the Company obtained a $1 million export financing loan with HSBC Bank Argentina S.A. at an annual interest rate of 3% all of which was repaid on August 4, 2022.

On June 22, 2022, the Company obtained an overdraft loan of up to ARS 50 million ($0.4 million) with HSBC Bank Argentina S.A. at an interest rate of 54% per annum, of which 38.5 million ($0.3 million) was drawn on the overdraft loan and repaid on July 7, 2022.

On October 4, 2022, the Company obtained a $0.9 million export financing loan with HSBC Bank Argentina S.A. at an annual interest rate of 4% all of which was repaid on November 24, 2022.

On December 1, 2022, the Company obtained a $0.2 million export financing loan with HSBC Bank Argentina S.A. at an annual interest rate of 3.75% all of which was repaid on December 27, 2022.

During 2022, the Company recognized $17,691 (2021 – $26,044) of interest on the HSBC Bank Argentina S.A. loans all of which was paid in the year.

(b) Banco Hipotecario S.A.

On August 25, 2020, the Company obtained an ARS 50 million ($0.68 million) working capital loan from Banco Hipotecario S.A. ("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 S.A. ("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 S.A. ("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 S.A. ("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.

Liminar provided a guarantee of the Banco Hipotecario S.A. loans obtained in 2020 and 2021 for which the Company is charged loan guarantee fee 1% of the loan balance per annum (Note 26).

On February 23, 2022, the Company obtained an overdraft loan of up to ARS 150 million ($1.4 million) with Banco Hipotecario S.A. at an interest rate of 40.5% to 45% per annum for a maximum term of six months. On April 11, 2022, the overdraft limit was increased to ARS 460 million ($3.7 million) for a one-year term at an interest rate of 43% to 79% per annum. On November 17, 2022, the overdraft limit was increased up to ARS 671.8 million ($4.1 million) for 180 days at an interest rate variable starting at 80% per annum. The overdraft is guaranteed by ST Inversiones S.A. under the agreement with Banco Hipotecario S.A. (Note 26).

As at December 31, 2022, ARS 594 million ($3.4 million) was drawn on the overdraft loan.

During 2022, the Company recognized $946,452 (2021 – $189,388) of interest on the Banco Hipotecario S,A, loans, of which $722,368 was paid (2021 – all paid) and $224,084 is included bank debt as at December 31, 2022 (2021 – $nil).

(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.

(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 26).

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 26).

(e) Sociedad de Bolsa Centaurus S.A.

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 plus $384 of accrued interest was repaid on January 21, 2022.

On April 13, 2022, the Company obtained a $0.25 million working capital loan with Sociedad de Bolsa Centaurus S.A. at an annual interest rate of 4% and a commission fee of 0.5% of the principal of the loan. The loan plus $384 of accrued interest was paid on April 27, 2022.

(f) Banco CMF S.A.

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 plus 4.5% per annum (68.76%). The Company paid a structuring fee of 0.5% of the loan principal.

The loan plus $70,918 of accrued interest was repaid on August 18, 2022.

(g) Banco Galicia S.A.U.

On March 18, 2022, the Company obtained an ARS 30 million ($0.3 million) working capital loan with Banco Galicia S.A.U. repayable on October 23, 2022 and at an interest rate of 41% calculated and payable monthly. The working capital loan was repaid on September 19, 2022.

On April 6, 2022, the Company obtained an overdraft loan for up to ARS 10 million ($0.1 million) with Banco Galicia S.A.U., at an annual interest rate of 55% to 67%. The Company drew ARS 9.9 million ($0.1 million) on the overdraft loan, all of which was repaid on July 7, 2022.

During 2022, the Company recognized $67,388 of interest on the Banco Galicia S.A.U. working capital loan and overdraft, all of which was paid on or before September 19, 2022.

(h) Banco Macro S.A.

On April 12, 2022, the Company obtained an ARS 250 million ($2.3 million) working capital loan with Banco Macro S.A. at an annual interest rate of 48.5%. The loan plus $161,196 of accrued interest was repaid on June 11, 2022. The loan was guaranteed by ST Inversiones S.A. (Note 26).

On July 7, 2022, the Company obtained an ARS 300 million ($2.4 million) working capital loan with Banco Macro S.A., at an annual interest rate of 58% and guaranteed by ST Inversiones S.A. (Note 26). The loan plus $288,179 of accrued interest was repaid on October 5, 2022.

During 2022, the Company recognized $450,816 of interest on the Banco Macro S.A. loans, all of which was paid on or before October 5, 2022

(i) Banco Supervielle S.A.

On May 19, 2022, the Company obtained an ARS 40 million ($0.3 million) working capital loan with Banco Supervielle S.A. at an annual interest rate of 57.5% and repayable on November 11, 2022.

During 2022, the Company recognized $80,786 of interest on the Banco Supervielle S.A. loan, all of which was paid on or before November 11, 2022.

(j) Banco de la Nación Argentina

On June 7, 2022, the Company obtained an ARS 110 million ($0.9 million) working capital loan with Banco Nación S.A. repayable in five equal installments commencing on September 5, 2022 until the maturity date of June 2, 2023 and bearing interest at a variable rate, calculated and payable quarterly. The interest rate is calculated based on the BADLAR (69.375% at December 31, 2022) plus 6% per annum. During 2022, the Company repaid ARS 55 million ($0.4 million).

December 15, 2022, the Company obtained an ARS 55 million ($0.3 million) working capital loan with Banco Nación S.A. repayable in four equal installments commencing on January 16, 2023, until maturity date of October 13, 2023 and bearing interest at a variable rate calculated and payable quarterly. The interest rate is calculated based on the BADLAR (69.375% at December 31, 2022) plus 10% per annum.

As at December 31, 2022, a total of ARS 110 million ($0.6 million) was drawn on the working capital loans.

During 2022, the Company recognized $214,832 of interest on the Banco Nación S.A. loan, of which $187,952 was paid and $26,880 is included in bank debt as at December 31, 2022.

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 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.

On July 1, 2022, the Company made the first quarterly installment payments in respect of the Series I Notes and Series II Notes in the amount of ARS 52,308,725 ($422,321) and ARS 23,750,000 ($189,651), respectively.

On August 8, 2022, Crown Point Energía issued a total of $14.7 million principal amount of Series III secured fixed-rate notes ("Series III Notes"), of which: $10.2 million principal amount of Series III Notes were issued for cash consideration, payable in ARS; $3.1 million principal amount of Series III Notes were issued in exchange for the surrender and cancellation of $3.38 million principal amount of Series I Notes an exchange ratio of $93.77 principal amount of Series III Notes for every $100 principal amount of Series I Notes; and $1.3 million principal amount of Series III Notes were issued in exchange for the surrender and cancellation of ARS 190,000,000 ($1.4 million) principal amount of Series II Notes at an exchange ratio of $90.31 principal amount of Series III Notes for every $100 principal amount of Series II Notes.

Series III Notes are denominated in USD and payable in ARS, due 36 months after the issue date. The principal amount of Series III Notes will be repaid in seven quarterly equal installments, starting on February 10, 2024 and ending on August 10, 2025. Series III Notes will accrue interest at a fixed rate of 4% per annum, payable every three months in arrears from the issue date.

Following closing of the Series III Notes, the Company repurchased the remaining $50,000 principal amount outstanding of Series I Notes. All Series I Notes and Series II Notes were cancelled.
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 (Note 22)		802,658
Interest paid		(537,299)
Effect of change in exchange rates		(224,815)
Balance, December 31, 2021	$	5,379,245
Repayment of Series I Notes and Series II Notes		(657,820)
Issue of Series III Notes for cash consideration		10,240,930
Transaction costs		(224,070)
Cost of exchange Series I Notes and Series II Notes (Note 22)		250,409
Amortization of notes payable transaction costs (Note 22)		136,346
Interest accrued (Note 22)		867,785
Interest paid		(1,030,132)
Effect of change in exchange rates		(420,311)
Balance, December 31, 2022		14,542,382
Current portion of notes payable		(7,233)
Long-term notes payable	$	14,535,149

Restricted cash

As at December 31, 2022, $252,200 (ARS 44.7 million) (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.

(United States dollars)

12. TRADE AND OTHER PAYABLES

		2022		2021
Trade payables	$	3,323,826	$	2,565,791
Accruals		1,888,261		947,148
Contingent consideration liability (Note 13)		219,888		81,259
Other payables		675,632		825,818
Current trade and other payables	$	6,107,607	$	4,420,016
Accruals		135,313		285,693
Contingent consideration liability (Note 13)		412,180		–
Non-current trade and other payables	$	547,493	$	285,693
Total trade and other payables	$	6,655,100	$	4,705,709

13. CONTINGENT CONSIDERATION (LIABILITY) RECEIVABLE:

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

		Liability (a)		Receivable (b)		Net
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)
Acquisition of working interest (Note 5(a))		(1,549,353)		–		(1,549,353)
Fair value adjustment		998,544		90,436		1,088,980
Cash collection		–		(57,448)		(57,448)
Balance, December 31, 2022		(632,068)		86,022		(546,046)
Current portion		219,888		(86,022)		133,866
Long-term portion	$	(412,180)	$	–	$	(412,180)

(a) Contingent consideration liability

Pursuant to the 2018 acquisition St. Patrick Oil & Gas S.A. ("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's 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, 2022 and 2021 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, 2022 and 2021 was $nil.

As at December 31, 2022, the Company estimated the contingent consideration liability related to actual results for 2022 to be $219,888 (2021 actual results – $81,259), resulting in a fair value adjustment of $138,629, As at December 31, 2022, the $219,888 current portion of the contingent consideration liability is included in trade and other payables.

Acquisition of working interest

On July 1, 2022, the Company recognized a liability of $1,549,353 representing the estimated fair value of the contingent consideration liability associated with the acquisition of the 50% working interest in the PPCO Concession (Note 5 (a)). The fair value of the contingent consideration liability as at July 1, 2022 was estimated based on $3.6 million of undiscounted cash flows over 21 years at a discount rate of 15.4%.

(United States dollars)

As at December 31, 2022, the Company re-measured the fair value of the contingent consideration liability at $412,180 resulting in a fair value adjustment of $1,137,173.

The $412,180 contingent consideration liability is included in the non-current portion of 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, 2022 and 2021 reserve reports did not exceed the base net revenue for future quarters. As a result, the estimated fair value of the contingent consideration receivable at December 31, 2022 and 2021 was $nil.

As at December 31, 2022, the Company estimated the contingent consideration receivable related to actual results for 2022 to be $86,022 (2021 actual results – $53,034), resulting in a fair value adjustment of $90,436, As at December 31, 2022, the $86,022 current portion of the contingent consideration receivable is included in trade and other receivables.

14. 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, 2022 the estimated total undiscounted inflation-adjusted amount of cash flows required to settle the Company's obligations were approximately $17.9 million (2021 – $15.2 million). These costs are expected to be incurred over the next 1 to 23 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. Risk-free interest rates of 3.57% to 3.76% (2021 – 1.23% to 1.90%) and an inflation rate of 2.9% (2021 – 1.8%) was used to calculate the fair value of the decommissioning provision.

A reconciliation of the decommissioning provision is provided below:

		2022		2021
Balance, beginning of year	$	11,952,279	$	6,724,765
Acquisition of working interest (Note 5)		89,021		166,981
Revision for exploration and evaluation assets (Note 9)		(10,461)		207,093
Revision for development and production assets (Note 8)		(795,367)		4,768,049
Expenditures		(130,218)		–
Gain on settlement		(24,348)		–
Accretion (Note 22)		232,426		85,391
Balance, end of year		11,313,332		11,952,279
Current portion of decommissioning provision		(365,418)		(597,195)
Long-term portion of decommissioning provision	$	10,947,914	$	11,355,084

$1.2 million of the revision to the decommissioning provision for development and production assets recognized in 2022 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 PPCO Concession (Note 5(a)). The $89,021 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 $1,219,886 using a risk-free rate in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

$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(b)). 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

(United States dollars)

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.

The gain on settlement represents the difference between the decommissioning provision and the actual expenditures made to settle the obligation. The gain on settlement has been net against the loss on decommissioning (Note 9) resulting in the recognition of a net $54,228 loss on decommissioning provision recognized in the 2022 consolidated statement of income (loss) and comprehensive income (loss).

15. 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.

	2022	2021
Balance, beginning of year	$ 319,913	$ 805,689
Additions (Note 8)	1,397,670	227,051
Revisions (Note 8)	(119,563)	(666,976)
Interest (Note 22)	19,581	14,666
Payments	(66,997)	(42,565)
Effect of change in exchange rates	(94,714)	(17,952)
Balance, end of year	1,455,890	319,913
Current portion of lease liabilities	(483,527)	(76,900)
Long-term lease liabilities	$ 972,363	$ 243,013

Total expected payments under lease agreements for office and equipment are $47,729 per month ($572,744 per year) until December 31, 2026.

16. 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, 2022 and 2021	72,903,038	$ 56,456,328

17. 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.

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.

(United States dollars)

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.

Stock option activity for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022		2021	
	Number of Options	Weighted Average Exercise Price (CAD)	Number of Options	Weighted Average Exercise Price (CAD)
Balance, beginning of year	4,350,000	$ 0.48	2,175,000	$ 0.75
Granted	–	–	2,175,000	0.20
Balance, end of year	4,350,000	$ 0.48	4,350,000	$ 0.48
Exercisable, end of year	3,625,000	$ 0.53	2,900,000	$ 0.61

Information about stock options outstanding as at December 31, 2022 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	1.3	2,175,000
May 31, 2026	2,175,000	$ 0.20	1.4	1,450,000
	4,350,000	$ 0.48	2.3	3,625,000

During 2022, the Company recognized $74,733 (2021 – $187,515) of share-based payment expense. As at December 31, 2022, the balance of unvested share-based payments was $16,077.

18. PER SHARE AMOUNTS:

	2022	2021
Net income (loss)	$ (5,906,799)	$ 9,774,753
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	$ (0.08)	$ 0.13
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
	72,903,038	73,014,895
Net income (loss) per share – diluted	$ (0.08)	$ 0.13

For the year ended December 31, 2022, all stock options were excluded from the diluted per share amounts as their effect is anti-dilutive in loss periods. For the year ended December 31, 2021, the Company used an average market price for its shares of CAD 0.24 per share, 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.

(United States dollars)

19. OIL AND NATURAL GAS SALES:

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

		2022		2021
Oil	$	27,308,225	$	23,773,080
Natural gas		5,584,172		4,582,598
Natural gas liquids		148,223		137,658
	$	33,040,620	$	28,493,336

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 and PPCO 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 2022 was from sales to the industrial market (2021 – 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 2022, 51% was for export sales to four purchasers and 49% was for domestic sales to six purchasers (2021 – 69% was for export sales to two purchasers; 31% was for domestic sales to two purchasers) and $2,378,567 was in accounts receivable at December 31, 2022 (2021– $2,674,905).

All of the Company's revenue from natural gas sales earned in 2022 was for domestic sales, of which 58% was to three major purchasers (2021 – domestic sales of which 43% was to three major purchasers), of which $615,979 was in accounts receivable at December 31, 2022 (2021 – $241,877).

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

		2022		2021
Export	$	13,837,688	$	16,324,405
Domestic		19,202,932		12,168,931
	$	33,040,620	$	28,493,336

20. IMPAIRMENT OF PROPERTY AND EQUIPMENT:

Year ended December 31, 2022:

TDF CGU

The Company identified indicators of impairment in relation to its TDF CGU as at December 31, 2022, such as a decrease in petroleum and natural gas proved and probable reserves due to technical revisions and higher operating cost estimates, and performed an impairment test. Management estimated the recoverable amount of the TDF CGU based on the higher of fair value less costs of disposal and its value in use. Management used fair value less cost of disposal to determine the recoverable amount of the TDF CGU, which is based on the discounted after-tax cash flows of the reserves. The estimated recoverable amount for the TDF CGU was based on 15.7% discounted after-tax cash flows expected to be derived from the TDF CGU's petroleumand natural gas proved and probable reserves from the externally prepared December 31, 2022 reserve report considering a 10-year license extension to the primary term, expiring August 2026.

(United States dollars)

As at December 31, 2022, the estimated recoverable amount of the TDF CGU was determined to be lower than the carrying amount. As a result of the impairment test performed, the Company recognized an impairment charge to the TDF CGU of $2.1 million.. 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 a $0.03 million decrease in impairment. $1 per barrel of oil ("BOE") decrease in commodity prices would result in $0.7 million of additional impairment.

Mendoza CGU

The Company identified indicators of impairment in relation to its Mendoza CGU as at December 31, 2022, such as an increase in operating cost estimates, and performed an impairment test. Management estimated the recoverable amount of the Mendoza CGU based on the higher of fair value less costs of disposal and its value in use. Management used fair value less cost of disposal to determine the recoverable amount of the Mendoza CGU, which is based on the discounted after-tax cash flows of the reserves. The estimated recoverable amount for the Mendoza CGU was based on 15.7% discounted after-tax cash flows expected to be derived from the Mendoza CGU's petroleum and natural gas proved and probable reserves from the externally prepared December 31, 2022 reserve report. As at December 31, 2022, the estimated recoverable amount of the Mendoza CGU was determined to be higher than the carrying amount resulting in no impairment recognized in 2022.

A 1% increase in the discount rate would result in $1.5 million of impairment. A $1 per BOE decrease in commodity prices would result in $1.3 million of impairment.

The following prices were used for the estimate of the December 31, 2022 recoverable amount of the Company's CGUs:

	TDF CGU		Mendoza CGU
Year	Average USD price per BOE	Average USD price per mcf of natural gas	Average USD price per BOE
2023	70.00	4.96	64.00
2024	66.58	5.06	65.28
2025	65.59	5.16	66.59
2026	64.53	5.26	67.92
2027	66.10	5.36	69.28
2028	67.70	5.47	70.66
2029	69.34	5.58	72.07
Thereafter	Not applicable	Not applicable	2%

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

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 petroleum and natural gas proved and probable reserves from the externally prepared December 31, 2021 reserve report (impairment indicator). Based on the combined effect of these facts, no impairmentor reversal of impairment was required to be recorded.

(United States dollars)

21. GENERAL AND ADMINISTRATIVE:

		2022		2021
Salaries and benefits	$	1,852,981	$	1,346,893
Professional fees		1,124,690		1,154,911
Office and general		445,779		103,333
Travel and promotion		150,364		363,078
	$	3,573,814	$	2,968,215

22. NET FINANCE EXPENSE:

		2022		2021
Interest income	$	324,485	$	249,191
Gain on revision of right-of-use assets and lease liabilities (Note 8)		8,357		28,291
Finance income		332,842		277,482
Financing fees and bank charges		(892,263)		(439,023)
Interest on bank debt (Note 10)		(1,849,651)		(222,179)
Interest on notes payable (Note 11)		(867,785)		(802,658)
Amortization of notes payable transaction costs (Note 11)		(136,346)		(34,763)
Cost of exchange Series I Notes and Series II Notes (Note 11)		(250,409)		–
Accretion of decommissioning provision (Note 14)		(232,426)		(85,391)
Interest on lease liabilities (Note 15)		(19,581)		(14,666)
Finance expense		(4,248,461)		(1,598,680)
Net finance expense	$	(3,915,619)	$	(1,321,198)

23. TAXES:

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

		2022		2021
Canadian statutory rate		23.0%		23.0%
Current tax expense (recovery) at statutory rates	$	(1,498,171)	$	2,180,711
(Non-taxable) non-deductible items and other		1,836,767		(2,757,202)
Effect of tax rate differences		(208,111)		222,307
Effect of tax return filings		(4,225)		(19,826)
Foreign exchange		(410,823)		(18,741)
Change in unrecognized deferred tax assets		(322,427)		99,351
Tax recovery	$	(606,990)	$	(293,400)

(United States dollars)

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

	2022	2021
Current tax recovery	$ –	$ –
Deferred tax recovery	(606,990)	(293,400)
Tax recovery	$ (606,990)	$ (293,400)

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 2022 and 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 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:

	2022	2021
Property and equipment and E&E assets	$ (10,013,224)	$ (10,234,088)
Decommissioning obligation	3,959,666	4,183,298
Foreign exchange and other	476,875	1,018,141
Non-capital tax loss carry forwards	1,421,616	993,828
Deferred tax liability	$ (4,155,067)	$ (4,038,821)

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

	2022	2021
Balance, beginning of year	$ (4,038,821)	$ (1,078,214)
Acquisition of working interest (Note 5)	(723,236)	(3,254,007)
Deferred tax recovery	606,990	293,400
Balance, end of year	$ (4,155,067)	$ (4,038,821)

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:

(United States dollars)

		2022		2021
Property and equipment and E&E assets	$	4,352,730	$	4,654,691
Non-capital loss carry forwards		18,119,930		19,050,387
Share issue costs		–		58,178
Foreign exchange and other		1,585,752		1,697,013
	$	24,058,412	$	25,460,269

As at December 31, 2022, the Company has approximately $18.1 million (2021 – $19.1 million) of non-capital losses in Canada and $4.1 million (2021 – $2.8 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 expire at various times between 2024 and 2027.

The Company has temporary differences associated with its investments in its foreign subsidiary. At December 31, 2022 and 2021, the Company has no deferred tax liabilities in respect of these temporary differences.

24. SUPPLEMENTAL CASH FLOW INFORMATION:

(a) Change in non-cash working capital items

For the years ended December 31		2022		2021
Trade and other receivables	$	(190,769)	$	(1,114,201)
Inventory		(1,060,243)		4,235
Prepaid expenses and other current assets		1,704		(462,226)
Trade and other payables		1,366,700		2,791,113
Taxes payable		(98,288)		(116,785)
Effect of change in exchange rates		(285)		35
	$	18,819	$	1,102,171
Attributable to:				
Operating activities	$	(1,687,567)		(502,391)
Investing activities		1,706,386	$	1,604,562
	$	18,819	$	1,102,171

(b) As at December 31, 2022, the Company held $536,752 (2021 – $3,221,118) of cash in Canadian, United States and Argentine banks.

(c) During 2022, the Company paid $1,598,687 (2021 – $222,179) of interest expense on bank debt (Note 10) and $1,030,132 (2021 – $537,299) on notes payable (Note 11).

(d) During 2022, the Company paid $56,281 (ARS 7,288,555) to Argentine tax authorities related to corporate income tax (2021 – $77,834 (ARS 7,288,555)).

25. 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 $1,745,116 of salaries and benefits for employees and executive management which are included in general and administrative expenses for the year ended December 31, 2022 (2021 – $1,236,766).

(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, 2022, key management personnel included 7 individuals (2021 – 7 individuals) and the related compensation recognized in the consolidated statement of income (loss) and comprehensive income (loss) comprised the following:

(United States dollars)

		2022		2021
Salaries and benefits	$	740,977	$	447,362
Director fees		107,865		110,127
Share-based payments		74,733		187,515
	$	923,575	$	745,004

26. RELATED PARTY TRANSACTIONS:

(a) Liminar Energía S.A.

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 2022, Liminar charged the Company $nil (2021 – $4,161) in loan guarantee fees (Note 10(b)). During 2021, Liminar charged the Company 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 (b)).

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

Included in trade and other payables as at December 31, 2022 is $nil (2021 – $nil) payable to Liminar.

(b) Grupo ST S.A.

Mr. Pablo Peralta is also a director of Grupo ST S.A. and controls directly and indirectly 48.33% of the voting shares 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, 2022 is $nil (2021 – $nil) payable to Grupo ST S.A.

(c) ST Inversiones S.A.

Mr. Pablo Peralta is also a director of ST Inversiones S.A. and controls 50% the voting shares of ST Inversiones S.A. ST Inversiones S.A. has provided a guarantee of the Banco Hipotecario S.A. overdrafts (Note 10(b) and the Banco Macro S.A. working capital loans (Note 10(d)) for which the Company is charged a loan guarantee fee of 1% of the outstanding balances. During 2022, ST Inversiones S.A. charged the Company $57,698 (2021 – $4,457).

Included in trade and other payables as at December 31, 2022 is $nil (2021 – $3,339) payable to ST Inversiones S.A.

(d) Energía y Soluciones S.A.

Gabriel Obrador is the President, Chief Executive Officer and a director of the Company and also controls Energía y Soluciones S.A.

During 2022, the Company sold a portion of natural gas production from the TDF Concession to Energía y Soluciones S.A. for which the Company recognized $932,996 (ARS 131.1 million) (2021 – $nil) of oil and gas revenue. Included in trade and other receivables as at December 31, 2022 is $80,699 (ARS 14.3 million) (2021 – $nil) in respect of this revenue.

Energía y Soluciones S.A. owns a 1.46% overriding royalty on revenue earned from the CLL Permit. As of December 31, 2022, no revenue has been earned from the CLL Permit.

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

(United States dollars)

27. 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 surplus (deficit), bank debt and shareholders' equity.

		2022		2021
Working capital surplus (deficit)	$	(1,273,047)	$	2,926,658
Bank debt	$	4,123,737	$	–
Shareholders' equity	$	25,900,332	$	31,776,573

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.

(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 at December 31, 2022, the Company has a working capital deficit of $1,273,047 which includes $4,073,407 of financial assets comprised of cash and trade and other receivables and $10,759,811 of financial liabilities comprised of trade and other payables, bank debt, 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, 2022, the Company reported net cash provided by operating activities in the amount of $1,204,597.

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.

The following table summarizes the maturities of the Company's financial liabilities based on contractual cash flows:

	Carrying amount $	Contractual amount $	Due on or before December 31 2023 $	2024 $	2025 $	2026-2028 $
Trade and other payables	6,655,100	6,655,100	6,107,607		–	547,493
Bank debt	4,123,737	4,123,737	4,123,737	–	–	–
Notes payable	14,542,382	14,653,370	–	8,373,354	6,280,016	–
Taxes payable	37,707	37,707	37,707	–	–	–
Lease liabilities	1,455,890	1,587,010	573,836	550,651	244,406	218,117
	26,814,816	27,056,924	10,842,887	8,924,005	6,524,422	765,610

(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) Interest rate risk

The Company is exposed to interest rate fluctuations at December 31, 2022 on certain bank debt (Note 10) which bear interest at BADLAR Privados plus 6% per annum and BADLAR Privados plus 10% per annum. Other bank debt and notes payable bear interest at fixed rates. There are no investments of excess cash in short-term money market investments held with international banks at December 31, 2022.

For the year ended December 31, 2022, a 10% change in the BADLAR Privados rates would change interest expense by approximately $37,890 and net income (loss) by approximately $24,628.

(ii) 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, 2022	Balance denominated in CAD	ARS	Total USD equivalents
Cash	$ 6,586	$ 59,644,213	$ 341,911
Restricted cash	$ –	$ 44,679,752	$ 252,200
Trade and other receivables	$ 15,043	$ 96,788,012	$ 558,055
Trade and other payables	$ (462,153)	$ (740,912,799)	$ (4,523,375)
Current and long-term taxes payable	$ –	$ (730,561,249)	$ (4,123,737)
Lease liabilities	$ –	$ (4,136,615)	$ (23,350)

As at December 31, 2021	Balance denominated in CAD	ARS	Total USD equivalents
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)

(iii) Currency devaluation:

Exchange rates as at December 31	2022	2021
CAD to USD (1)	0.7383	0.7901
ARS to USD (1)	0.0056	0.0098
USD to ARS (2)	177.06	102.62

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

Currency devaluation in Argentina partially impacts the cost of ARS denominated items which are translated to the USD functional currency of the Argentine subsidiaries. A portion of the TDF, CH and PPCO concessions operating costs and general and administrative expenses incurred in Argentina are denominated in ARS and are also subject to inflation adjustments. During 2022, the devaluation of ARS resulted in lower TDF, CH and PPCO operating costs and general and administrative expenses incurred in Argentina by approximately 25% (2021 – devaluation of ARS; lower by approximately 11%), without considering cost increases related to inflation.

During 2022, 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 $1.1 million (2021 – devaluation of ARS; reduction by approximately $0.03 million).

The effect of currency devaluation on ARS denominated bank debt and notes payable during 2022 was a $2,345,760 reduction (2021 – $386,215) in the USD equivalent amount (Notes 10 and 11).

(iv) 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, 2022 and 2021:

	Change in exchange rates		2022	2021
Foreign exchange - effect of strengthening USD:				
CAD denominated financial assets and liabilities	5%	$	16,260 $	11,580
ARS denominated financial assets and liabilities	10%	$	723,590 $	166,930

28. COMMITMENTS:

(a) TDF Concessions

As at December 21, 2022, 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) Mendoza Concessions

As at December 31, 2022, the Company’s share of expenditure commitments with respect to the CH Concession is $37.0 million, consisting of a work program for well work-overs, infrastructure optimization and a multi-well drilling program to be fulfilled by March 2031.

As at December 31, 2022, the Company’s share of expenditure commitments with respect to the PPCO Concession is $13.1 million, consisting of a work program for well work-overs, infrastructure optimization and a multi-well drilling program to be fulfilled by August 2028.

(c) CLL Permit

As at December 31, 2022, the Company commitment with respect to the CLL Permit is estimated at $0.8 million, consisting of a well work-over and 3D seismic reprocessing.

29. SUBSEQUENT EVENTS:

On February 6, 2023, the Company obtained a working capital loan of ARS 50 million ($0.3 million) with Banco Galicia S.A., which accrues an annual interest rate of 70% payable monthly, with a maturity date of May 8, 2023.

On February 7, 2023, the Company obtained an overdraft loan for an amount of ARS 60 million ($0.3 million) with Banco CMF S.A., which accrues an annual interest rate of 79.5% with a 60-day maturity.

On February 15, 2023, the Company obtained an overdraft loan for an amount of ARS 50 million ($0.3 million) with Banco Galicia S.A., which accrues an annual interest rate of 86% with a 60-day maturity.

On March 7, 2023, the Company repaid ARS 27.5 million ($0.1 million) of the working capital loan with Banco Nación S.A. plus $51,718 of accrued interest.