Introduction

Pinedale Energy Limited. (the "Company") was incorporated under the British Columbia Business Corporations Act on December 17, 2007. Pinedale is a junior oil and gas company engaged in the identification, and the exploration and development of oil and gas properties via drilling and/or acquisition. The Company has a wholly owned Canadian subsidiary 0970831 B.C. Ltd. as well as a US subsidiary, Pinedale Energy Inc., which owns working interests in certain producing and undeveloped oil and gas leases ("the Pinedale Properties") in the Pinedale field area located in Sublette County, Wyoming, U.S.A. The address of the Company's registered office is Suite 1500 - 701 West Georgia Street, Vancouver, British Columbia, V7Y 106.

Additional Information

This Management Discussion and Analysis ("MD&A") has been prepared by the management of Pinedale and provides an analysis of the financial results of Pinedale's operations and financial results for the period ended September 30, 2017 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended September 30, 2017 as well as consolidated financial statements and the notes thereto for the year ended December 31, 2016.

The Company reports its financial information in Canadian dollars and all dollar amounts are stated in Canadian dollars unless otherwise noted. The financial information presented in this MD&A is current as of September 30, 2017 and has been prepared in accordance with international financial reporting standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB") and related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

This MD&A has been approved by the Company's Board of Directors on November 23, 2017.

Forward-Looking Statements

Information and statements contained in the MD&A that are not historical facts are forward-looking information within the meaning of Canadian securities legislation, and involve risk and uncertainly. This MD&A contains forward-looking information including estimations and statements which describe the Company's future activities.

In certain cases forward-looking statements can be identified by such words as "plans", "expects", "budgets", "estimates", "forecasts", "intends", "anticipates" and "believes" including the negative thereof, or variations of such words combined with statements that events "may", "might", "could" or "will" be taken. These forward-looking statements involve factors that may change resulting in actual results differing materially from those expressed. Examples include timing and outcome of litigations, receipt of regulatory approvals, and valuation models.

Forward-looking statements contain known and unknown risks and uncertainties which could cause actual performance to be materially different from any future results. These factors are discussed in the "Risks and Uncertainties" section in the MD&A.

While the Company has identified a number of risks that could affect the Company's actual events, this may not be an all exhaustive listing and there could be other factors that could impact the actual results.

Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties. The statements contained in this MD&A speak only as of the date hereof, and the Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Corporate Matters

On March 1, 2017 a news release was issued by Outrider Energy Corp. ("Outrider") (CSE: MCF) to announce that it had entered into a binding letter agreement (the "Agreement") dated February 28, 2017 with 0970831 B.C. Ltd. ("Pinedale") and the shareholders of Pinedale that set out the terms of a proposed share exchange between Outrider and the shareholders of Pinedale (the "Share Exchange"). Pursuant to the Share Exchange, Outrider would acquire all of the issued and outstanding common shares of Pinedale and Pinedale would become a wholly-owned subsidiary of Outrider. The Share Exchange and related transactions (collectively, the "Transaction") constituted a reverse takeover of Outrider by Pinedale. This Transaction was completed on June 1, 2017 and Outrider's name was changed to "Pinedale Energy Limited".

Summary of the Transaction

Pursuant to the Agreement, Outrider acquired all of the issued and outstanding common shares of Pinedale by issuing to the shareholders of Pinedale an aggregate amount of 4,229,096 Class A shares and 95,770,904 Class B shares of Outrider at a deemed price of $0.195 per share. Each one Class B Share issued will be exchangeable for one Class A Share, subject to the Company complying with the public distribution continued listing requirements of the TSX-V. The fair value of the consideration in the Acquisition is determined by reference to the completed private placement at $0.195 per Unit. Accordingly, the value of the share capital (2,472,114 shares) owned by the former shareholders of Outrider at the time of the Transaction was $482,062. In connection with this Acquisition the Company recorded a reverse acquisition cost of $515,904.

Overview and Outlook

Pinedale Energy Limited is a Canadian junior oil and gas company focused on the development of its properties situated in the Pinedale field area of southwest Wyoming, U.S.A. (the "Pinedale Properties"). The Company does not operate the Pinedale Properties and the Pinedale Properties are operated by designated Operators that are also joint interest owners in the leases. The Pinedale Properties comprise oil and gas leases totalling 11,993 gross acres (1,680 net acres) situated in the Warbonnet and Mesa townships of Sublette County, southwest Wyoming. The Warbonnet area acreage totals approximately 2,480 gross acres (516 net acres) and the Mesa area acreage totals approximately 9,513 gross acres (1,164 net acres). In 2016, Pinedale produced 1.06 billion cubic feet of gas and 9,600 barrels of oil, or 1.12 billion cubic feet of gas equivalent (95 per cent gas), from the 11 producing wells (2.27 net) situated on the Pinedale Properties that were developed in mid-2014 through early 2015. No wells were developed on the Pinedale Properties during 2016.

The Pinedale Properties host commercial reserves of natural gas and condensates that are produced from the Pinedale natural gas field. Natural gas from the Pinedale field is produced from the Lance pool, a giant tight sandstone gas reservoir developed primarily between depths of 10,000 feet to 14,000 feet and is developed by over 3,000 vertically and directionally drilled infill wells within a 110-square-mile area. In

2016, over 500 billion cubic of natural gas was produced from Pinedale field, an average of 1.4 billion cubic feet of natural gas equivalent per day. An important milestone for Pinedale Field development occurred in 2008 with the issuance of the Pinedale Supplemental Environmental Impact Statement Record of Decision (ROD) by the Bureau of Land Management. The ROD allows for year-round development activity and enables operators to execute on concentrated drilling and completion programs that have in turn generated operational efficiencies and accelerated development of the field. Vertical well density allowances in both the Warbonnet and Mesa productive areas are approved to 5-acre well spacing and Pinedale has a large inventory of undeveloped in-fill locations on its acreage.

Since 2016 Pinedale field area operators have been permitting horizontal drill spacing units situated on the eastern flank of the Pinedale field seeking to test the lateral extent of the Pinedale field and test the economic viability of drilling horizontal wells targeting gas in selective intervals within the Lance Pool of the Pinedale field. The Company is party to a 1,595 acre horizontal drill spacing unit in the Warbonnet area (the **"Warbonnet DSU"**) that was established in August 2017 by the Operator of the Company's Warbonnet area leases (the **"Warbonnet Operator"**). The Company's working interest in the Warbonnet DSU is 7.939458%.

On July 12, 2017 a multi-well infill vertical well development program commenced on the Pinedale Properties. Authority for expenditure **("AFE")** estimated costs for vertical wells proposed by the Warbonnet Operator have ranged from US$2.8 million to US$2.9 million per location. Additional well proposals are expected to be advanced by the Warbonnet Operator through 2018.

As of September 30, 2017, the Company had consented a total of 7 vertical development well AFE proposals (1.4875 net) and 1 horizontal exploration well AFE proposal (0.07939458 net). Of the 7 vertical development wells, 4 wells (0.85 net) were developed and placed on sales during the period and realized gross initial 24-hour test production ("IP") rates averaging 7.2 million cubic feet of gas equivalent ("MMcfe") per day per well (95% gas and 5% field condensate). The horizontal well ("**Warbonnet 9-23-A-1H**" or "**the Initial Horizontal**") was drilled and cased by late September and as of September 30 was waiting on completions.

Warbonnet 9-23-A-1H was subsequently completed during October 2017 and commenced flowing to sales on November 1, 2017. As of November 14, 2017 the Warbonnet 9-23-A-1H well had achieved a 24-hour test rate of 42 MMcfe per day with flow rates increasing and flow back testing ongoing. The Initial Horizontal was drilled from the Warbonnet 9-23 simultaneous operations pad (**"Warbonnet 9-23 SIMOPS pad"**) and up to 32 potential horizontal targets are associated with the Warbonnet 9-23 SIMOPS pad including the Initial Horizontal.

The Company has non-consented 2 horizontal exploration well AFE's associated with the Warbonnet 9-23 SIMOPS pad and the AFE elections were made prior to Pinedale receiving results from the Initial Horizontal exploration well. Pinedale also announced that it had received AFE's for half of the wells attributed to the Warbonnet 7-23 SIMOPS pad where 24 directional vertical well drill permits exist, and a drill rig had mobilized. Pinedale evaluates AFE well proposals on a case by case basis and is required to make an AFE election within a 30-day election period following receipt of an AFE pursuant to operating agreements applicable to Pinedale's properties. Pinedale's AFE election decisions are influenced by considerations that include internally generated projections of internal rates of returns, access to capital, well development scenarios and alternative well proposals.

Based on the Initial Horizontal well results the Company believes that the horizontal well exploration and development outlook associated with its acreage represents a significant resource expansion opportunity. The Company will continue to manage its existing oil and gas interests as well as continue its search for additional viable opportunities in 2017 and beyond and will manage its cash balances as circumstances dictate to remain in a financially flexible position.

The focus on managing administrative and operational costs is consistent with the plan to conserve cash reserves to fund further development opportunities within existing properties and to employ funds only when there is a significant level of certainty that their use will be of benefit to the Company and stakeholders.

The Company anticipates that additional equity financing may be required to meet funding requirements for its development and investment activities.

Financial Snapshot

The following table summarizes selected financial information reported by the Company for the periods ended September 30, 2017 and 2016.

	September 30, 2017	September 30, 2016
Total revenue (before royalties)	2,875,332	2,873,612
Net income	117,823	582,337
Funds from operations	1,103,310	891,977
Basic earnings per share	0.02	0.14
Diluted earnings per share	0.00	0.14
Total assets	21,934,473	13,688,013
Total long-term debt	7,619,200	4,439,942

Funds from Operations

"Funds from operations" is a non-GAAP measure which represents cash flows from operating activities before changes in non-cash operating working capital. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate the Company's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Pinedale's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable GAAP measure is cash flows from operating activities.

Quarterly Financial Information

	2017			2016				2015
($000 except per share amounts)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Total revenue (before royalties)	1,210	753	913	994	991	885	993	1,348
Funds from operations	389	390	324	349	311	247	334	553
Net income (loss)	105	(190)	203	163	216	153	214	297
Basic Earnings (loss) per share	0.01	(0.04)	0.05	0.04	0.05	0.04	0.05	0.07
Diluted earnings (loss) per share	0.00	(0.00)	0.05	0.04	0.05	0.04	0.05	0.07
Total assets	21,934	14,729	13,691	13,933	13,742	13,650	13,650	14,790
Total long-term debt	7,619	3,763	3,860	4,322	4,445	4,718	4,925	5,864

Results of Operations

Production

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Natural gas (mcf/d)	3,117	2,597	2,421	3,057
Oil & natural gas liquids (bbl/d)	27	21	21	28
Barrels of oil equivalent (boe/d)	547	454	424	538
Thousand cubic feet equivalent (mcfe/d)	3,281	2,724	2,546	3,225

Natural gas production averaged 2,421 mcf/d for the first nine months of 2017, 21 percent lower than the 3,057 mcf/d reported for the same period in 2016. Oil and natural gas liquids production averaged only 21 bbl/d in the first nine months of 2017 compared to 28 bbl/d in 2016, a decrease of 25%. Total third quarter 2017 production of 3,281 mcfe/d is up 20% from the 2,724 mcfe/d reported for the same period in 2016. The increase in production reflects the fact there were four new wells completed in the third quarter of 2017. No new wells were added in all of 2016 and the first six months of 2017.

Commodity Prices

	Three months ended September 30		Nine months ended September 30	
(in CAD$)	2017	2016	2017	2016
Natural gas - after hedging ($/mcf)	3.46	3.77	3.79	3.09
Natural gas - after hedging ($/mmbtu)	3.19	3.48	3.50	2.85
Henry Hub ($/mmbtu)	3.70	3.76	3.94	3.10
Oil & natural gas liquids ($/bbl)	62.19	45.65	64.21	41.86
NYMEX crude oil ($/bbl)	60.34	58.53	64.57	54.39

Pinedale's average natural gas price for the first nine months of 2017 was $3.79/mcf, a 23 percent increase from the $3.09/mcf price average for the same period in 2016. Oil and natural gas liquids prices averaged $64.21/bbl, a 53% increase from the $41.86/bbl average for 2016. Third quarter 2017 natural gas prices have declined 8% to $3.46/mcf from the $3.77/mcf price averaged in the same period in 2016 due to weakening of the US$.

Revenue

	Three months ended September 30		Nine months ended September 30	
($000)	2017	2016	2017	2016
Natural gas	1,021	946	2,476	2,582
Oil & natural gas liquids	156	89	364	322
Hedging gain	33	(44)	35	5
Total revenue	1,210	991	2,875	2,909

Revenue for the nine month period ended September 30, 2017 decreased by 1% to $2.88 million from $2.91 million for the same period in 2016. This was due primarily to reduced production volumes being offset by higher commodity prices. For the third quarter of 2017 revenues were 22% higher than the same period in 2016. This was due to an increase in third quarter production volumes offset by a slight decrease in commodity prices.

General and Administrative Expenses

	Three months ended September 30		Nine months ended September 30	
($000)	2017	2016	2017	2016
General and administrative expenses	349	132	1,091	410
Select items:				
Consulting fees	45	30	129	111
Reverse acquisition cost	9	-	516	-
Professional fees	52	12	79	36
Filing and regulatory	13	-	19	-

General and administrative expenses of $1.09 million for the nine months ended September 30, 2017 were 166% higher than the $410 thousand incurred during the nine month period ended September 30, 2016. Significant variances occurred in the following expense items:

- Consulting fees of $129 thousand (2016: $111 thousand) were higher due to additional tax accounting and public company services required.
- During the nine month period ended September 30, 2017 the company incurred $516 thousand (2016:$Nil) in reverse acquisition costs in connection with the Acquisition.
- Professional fees of $79 thousand (2016: $36 thousand) were incurred due to higher financing and corporate activity.
- Filing and regulatory expenses of $19 thousand (2016:$Nil) were incurred due to increased public company activity.

For the three month period ended September 30, 2017 general and administrative expenses were $349 thousand, 164% higher than the same period in 2016:

- Professional fees of $52 thousand (2016: $12 thousand) were higher due to additional costs incurred in connection with financing and corporate activity.
- During the three month period ended September 30, 2017 the company incurred $13 thousand (2016:$Nil) in filing and regulatory expenses.

Netbacks

	Three months ended September 30		Nine months ended September 30	
($/mcfe)	2017	2016	2017	2016
Average sale price	4.01	3.78	4.14	3.25
Less:				
Royalties	0.81	0.85	0.45 (1)	0.70
Production taxes	0.37	0.36	0.44 (1)	0.31
Operating expenses	0.72	0.80	0.80	0.77
Field netback	2.11	1.77	2.45	1.47
General and administrative	0.66	0.28	0.66	0.27
Interest on long-term debt	0.26	0.19	0.24	0.17
Cash netback ($/mcfe)	1.20	1.30	1.54	1.03
Cash netback ($/boe)	7.17	7.78	9.25	6.15

(1) A one-time royalty payment adjustment occurred in the second quarter of 2017 resulting in a refund of royalties and an increase in production taxes.

Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess performance and efficiency. Pinedale's field netback for the nine months ended September 30, 2017 was $2.45/mcfe, an increase of 67% from the $1.47/mcfe achieved in 2016. In the third quarter of 2017 Pinedale achieved a field netback of $2.11/mcfe, a 19% increase over the same period for 2016.

Liquidity and Capital Resources

The Company's cash position as at September 30, 2017 was $5,042,294 compared to $251,245 as at December 31, 2016. This increase is due to the $973,743 private placement that took place in connection with the Acquisition as well as a $4,000,000 loan advance executed on September 1, 2017 that was arranged to provide additional financing to support the Company's current well development program. As at September 30, 2017, the Company had a working capital of $1,817,267 compared to a working capital of $62,662 as at December 31, 2016.

Operating Activities

During the period ended September 30, 2017, the Company generated $4,172,332 from operating activities (September 30, 2016: $ 980,567). Funds from operations was $1,103,310 during the period ended September 30, 2017 (September 30, 2016: $891,977).

Investing Activities

During the period ended September 30 2017, the Company spent $4,205,921 on the development of oil and gas properties (September 30, 2016: $ 102,610).

Financing Activities

During the period ended September 30, 2017, the Company received $973,743 (September 30, 2016: $Nil) in proceeds from completion of a private placement that took place in connection with the Acquisition. The company also received $4,000,000 in loan advances on a promissory note issued to two directors of the company. During the period ended September 30, 2017, the Company repaid $417,074 (September 30, 2016: $ 1,112,321) towards its long-term debt.

Continuance of operations

The recoverability of the costs incurred for oil and gas properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or from the proceeds of disposition. The Company will require additional capital to fund its future property acquisitions, exploration and development programs as well as for administrative purposes. If management is unable to obtain additional funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in the Company's consolidated financial statements.

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company realized net income after tax of $117,823 during the period ended September 30, 2017, and as of that date, the Company had retained earnings of $3,369,182 and net working capital of $1,817,267. Management has carried out an assessment of the going concern assumption and, after considering subsequent events, has concluded that the cash position of the Company is sufficient to finance continued operations for the twelve-month period subsequent to September 30, 2017.

The continuity of the Company's operations is dependent on the continued exploration and development of its properties and the acquisition of new projects. Should it be determined that the Company is no longer a going concern, adjustments which may be significant could be required to the carrying value of the assets and liabilities.

Long-term debt

On June 30, 2015, the Company's wholly owned subsidiary, Pinedale Energy Inc., entered into a US$25 million revolving credit facility with CrossFirst Bank. The initial Revolver Commitment from the Bank allows for revolving loan advances to the Company to a maximum of US$5 million. The facilities are secured by fixed and floating charges on the assets of the Company. The amount available under these facilities ("Collateral Borrowing Base") is re-determined at least twice a year and is primarily based on the Company's oil and gas reserves, the lending institution's forecast commodity prices, the current economic environment and other factors. The current Collateral Borrowing Base is US$3.2 million. The next scheduled Borrowing Base redetermination is to occur by March 31, 2018. These advances bear interest at Wall Street Journal Base Rate plus fifty basis points (0.50%).

At September 30, 2017, the Company had a balance due of $3,619,200 (US$ 2,900,000) under its existing credit facility (2016 - $4,322,164).

Pinedale is subject to the following financial covenants as defined in the Loan Agreement with CrossFirst Bank:

- the Company is required to maintain a ratio of funded debt to EBITDAX of 4:1 at the end of each fiscal quarter calculated on a rolling twelve month basis. The Company had a ratio of funded debt to EBITDAX of 2.01:1 as at September 30, 2017 and is in compliance with this covenant.

Share Capital

Authorized: Unlimited number of common shares, without par value

Issued and outstanding:

As at the date of this MD & A, the Company has 13,140,647 class A shares issued and outstanding. The company also has 94,331,467 class B Shares issued and outstanding.

Stock Options Outstanding

During the period ended September 30, 2017, the Company granted 1,314,064 stock options with an exercise price of $0.26 and expiry date of June 26, 2022 to certain officers and consultants of the Company. In connection with this grant the company recorded a share based compensation expense of $41,791. As at the date of this MD&A, 1,314,064 options are outstanding. However, none of these options are vested and exercisable.

Warrants

During the period ended September 30, 2017, the Company issued 5,000,000 warrants as part of a non-brokered private placement. These warrants have an exercise price of $0.26 and expire on June 26, 2022. As at the date of this MD&A, 6,999,999 warrants are outstanding.

Related Party Transactions

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

	September 30, 2017	September 30, 2016
Interest on promissory notes	$26,301	-
Consulting Fees	$66,000	$45,000
Management fees	16,000	-
Share based compensation	27,833	-

The promissory note discussed under financing activities is payable to two directors of the Company. The promissory note payable is at market terms. During the period ended September 30, 2017, the Company accrued $26,301 (September 30, 2016: $Nil) in interest on the promissory note.

During the period ended September 30, 2017, the Company paid $45,000 (September 30, 2016: $45,000) to an officer of the Company. During the same period, the Company paid $21,000 in consulting fees to a different officer of the Company (September 30, 2016: $Nil).

During the period ended September 30, 2017, the Company paid $16,000 (September 30, 2016: $Nil) in fees to a private company controlled by a director of the Company. This fee is inclusive of administrative, finance and accounting fees, as well as certain office expenses.

As at September 30, 2017, accounts payable and accrued liabilities included $26,301 related to these payments.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Subsequent Event

On October 26, 2017, the Company closed a non-brokered private placement for gross proceeds of $1,500,000. The private placement consisted of 5,000,000 units at a price of $0.30 per unit, each unit is comprised of one Class A common share in the capital of the Company and one transferable share purchase warrant. Each Warrant is exercisable into one additional Class A common share at an exercise price of $0.36 per share. These warrants expire on October 26, 2022.

Financial Instruments and Risk Management

Financial instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profits and loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Regular purchases and sales of FVTPL financial assets are accounted for at the trade date, as opposed to the settlement date.

All financial liabilities are designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The Company's financial instruments have been classified as follows under IFRS:

- Cash on hand as FVTPL
- Other receivables as loans and receivables
- Accounts payable and accrued liabilities as other financial liabilities

Risk management

The types of financial risk exposure and the way in which such exposure is managed by the Company is as follows:

Credit Risk – Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash and other receivables. It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments. The Company limits exposure to credit risk by maintaining its cash with institutions of high creditworthiness. Trade and other receivables are comprised almost entirely of amounts receivable from marketing companies, pipeline operators and midstream companies which purchase the petroleum and natural gas produced by the properties. The accounts receivable are subject to the standard risk inherent in the industry in which those companies operate and are all current at year end.

Liquidity Risk – Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short term requirements. In the long term, the Company may have to issue additional shares to ensure there is cash available for its programs. At September 30, 2017, the Company's current liabilities consisted of accounts payable and accrued liabilities of $3,904,062. The Company's cash and other current assets of $5,721,329 at September 30, 2017 are sufficient to pay these current liabilities and to meet projected financial requirements for a period of 12 months subsequent to the reporting date.

Market Risks – The Company is exposed to various market risks including commodity price risk, interest rate risk and foreign exchange risk.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Company's revenue and ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by Canadian and United States demand, but also by world events that dictate the levels of supply and demand. A $0.10 increase (decrease) in the NYMEX natural gas price would have increased (decreased) net income by approximately $57,900 for the period ended September 30, 2017 (2016 - $48,800).

The Company is party to certain derivative financial contracts in order to manage natural gas commodity price risks. The natural gas reference prices of our commodity derivative contracts are referenced to natural gas market index prices As at September 30, 2017, the after tax unrealized gain on outstanding derivative financial contracts was $5,743 (September 30, 2016: $Nil). The realized gain (loss) on settlement of derivative financial contracts during the period was $17,352 after tax.

A summary of contracts outstanding in respect of commodity price hedging is as follows:

Natural Gas Period Hedged	Derivative Product Type	Quantity (MMBtu)	Price (USD/MMBtu)
June 1, 2017 to December 31, 2017	Costless Collar (1)	300,000	$3.11 - $3.62
October 1, 2017 to December 31, 2017	Costless Collar (1)	40,000	$2.80 -$3.24
October 1, 2017 to December 31, 2017	Costless Collar (1)	40,000	$2.80 -$3.44
January 1, 2018 to December 31, 2018	Costless Collar (1)	250,000	$2.91 -$3.285
January 1, 2018 to December 31, 2018	Costless Collar (1)	93,000	$2.80 -$3.24
January 1, 2018 to December 31, 2018	Costless Collar (1)	93,000	$2.80 -$3.41

(1) NYMEX Henry Hub reference price

Interest rate risk

The Company is exposed to interest rate risk related to interest expense on its revolving credit facility due to the floating interest rate charged on advances. For the period ended September 30, 2017, if interest rates had been 25 basis points higher with all other variables held constant, after tax net income for the year would have been approximately $5,200 (2016 – $6,100) lower.

Foreign exchange risk

Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. For the Company, it is the CAD/USD exchange rate which presents the most risk as the Company's operating cash flows and a significant portion of the Company's debt are denominated in U.S. dollars. An increase in the value of the Canadian dollar as compared to the U.S. dollar will reduce the net cash flow from the oil and gas operations but will reduce the Canadian dollar equivalent of the Company's debt and reduce the Canadian dollar equivalent cost of acquisitions. A $0.01 increase (decrease) in the CAD/USD exchange rate would have increased (decreased) other comprehensive income (loss) by approximately $9,800 for the period ended September 30, 2017 (2016 - $5,300). As of September 30, 2017 the Company did not hedge any foreign exchange risk.

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such estimates could be pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following accounting policies are subject to such judgements and because of the uncertainty associated with the estimation process they could have the most significant impact on the reported results and financial position:

Reserves

The estimate of oil and gas reserves is integral to the calculation of the amount of depletion to be charged to the statement of income and is also a key determinant in assessing whether the carrying value of any of the Company's oil and gas properties have been impaired. Changes in reported reserves can impact asset carrying values as well as borrowing limits. The Company's reserves are evaluated and reported on by independent reserve engineers in accordance with National Instrument 51-101 – Standards of Disclosure of Oil and Gas Activities. Reserve estimation is based on a variety of factors which are subject to significant judgement and interpretation.

Decommissioning liability

At the end of the operating life of the Company's facilities and properties and upon retirement of its petroleum and natural gas assets, decommissioning costs will be incurred by the Company. This requires judgment regarding the abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and discount rates to determine the present value of these cash flows.

Oil and gas properties

The Company assesses at each reporting date whether or not there is an indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Company estimates the recoverable amount determined based on the higher of value-in-use and fair value less costs to sell. These calculations are based on a number of factors which are subject to estimates and assumptions.

Deferred Taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable earnings.

Recent Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2016, or later periods. Updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of the September 30, 2017 consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the consolidated financial statements.

Accounting Standards Anticipated to be Effective on or after January 1, 2017:

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and Measurement, Derecognition of Financial Assets and Financial Liabilities. The required adoption date for IFRS 9 is January 1, 2018.
- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.
- IFRS 16 - Leases. This IFRS, which supersedes IAS 17 - Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied.

Commitments

The Company currently has no commitments.

Controls and Procedures

Management has established disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and quarterly filings are being prepared.

Legal Matters

The Company is not currently, and has not at any time during its most recently completed financial year, been a party to, nor has any of its property been the subject of, any material legal proceedings or regulatory actions.

Proposed Transactions

As is typical of the resource exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present, other than as described in Subsequent Events on page 10, there are no transactions pending that would affect the Company's financial condition, results of operations or cash flows from any asset.

Risks and Uncertainties

The Company's principal activity involves the exploration and development of oil and gas interests. Companies in this industry are subject to many risks including, but not limited to, environmental, fluctuating commodity prices, social, political, financial and economic risk. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen.

The risk and uncertainties described in this section are considered by management to be the most important in the context of the Company's business.

Environmental Factors – Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in substantial costs and liabilities in the future.

Governmental Regulation – Exploration and development will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) restrictions on production, price controls, and tax increases; (iii) maintenance of interests; (iv) tenure; and (v) expropriation. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Dependency on Operator - The Company is not the operator of the Pinedale Properties and the Company is reliant on designated operators to plan and execute all aspects of operations on the Pinedale Properties. As a result, the Company as Non-Operator is not in control of the pace or timing of development of its Pinedale Properties. A designated operator and its affiliates filed Chapter 11 Bankruptcy Proceedings in Texas on April 29, 2016 petitioning to restructure its respective obligations and capital structures. On March 14, 2017 the Bankruptcy Court confirmed a Plan of Reorganization and on April 12, 2017 the designated operator emerged from bankruptcy and continues business as usual.

Financing Ability – In addition to cash flow from operations the Company's ability to continue exploration, development, and acquisition efforts will require investments from equity investors. The Company may incur operating losses as it continues to expend funds to explore and develop its properties and possibly other properties. There is no guarantee that the Company will be able to develop certain of its properties to commercial production. Furthermore, should the Company require additional capital, failure to raise such capital could result in delay or indefinite postponement of exploration and development activities, or forfeiture of ownership interests or proceeds of production from developed wells should the Company choose not to participate in an exploration or development activity.

Exploration and Development – Exploration is highly speculative in nature, involving many risks, and frequently is unsuccessful. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically developed. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors which are beyond the control of the Company.

Operating Hazards and Risks – The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to such activities, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. The Company could incur significant costs that could have a material adverse effect upon its financial condition.

Commodity Prices – The price of commodities has fluctuated dramatically, particularly in recent years, and is affected by numerous factors beyond the Company's control. The effect of the volatility and therefore the economic viability of the Company's interests cannot be accurately predicted at this time. Dramatic fluctuations in commodity prices will have a significant affect on the results of the Company's operations and profits or losses.

Dependence on Key Employees – The Company's future growth and its ability to develop its projects depends, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services could impede the Company's business strategy and growth.

Conflicts of Interest – Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies or may have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Competition – The industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of concessions, claims, leases and other interests as well as for the recruitment and retention of qualified employees.

No Dividends – The Company has not paid any dividends on its common shares since incorporation. Any decision to pay dividends on its shares in the future will be dependent upon the requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.