

Condensed Consolidated Interim
Financial Statements

**Pinedale Energy
Limited.**

Unaudited- Expressed in Canadian
Dollars

For the six months ended June 30,
2017 and 2016

PINEDALE ENERGY LIMITED.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2017

Management's Comments on Unaudited Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Pinedale Energy Limited, for the six month period ended June 30, 2017 have been prepared by the Company's management and approved by the Audit Committee and Board of Directors of the Company.

The accompanying unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

PINEDALE ENERGY LIMITED.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL
POSITION

[Unaudited- Expressed in Canadian dollars]

	June 30, 2017	December 31, 2016
	\$	\$
ASSETS		
Current		
Cash	1,328,100	251,245
Other receivables and prepaids	561,944	437,058
Derivative financial instruments	59,275	-
Total current assets	1,949,319	688,303
Oil and gas properties <i>[note 4]</i>	12,779,884	13,245,169
	14,729,203	13,933,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	574,160	625,641
Total current liabilities	574,160	625,641
Decommissioning liability <i>[note 5]</i>	372,411	383,694
Long-term debt <i>[note 6]</i>	3,763,330	4,322,164
Deferred tax liability	2,361,157	2,185,475
Total liabilities	7,071,058	7,516,974
Shareholders' equity		
Share capital <i>[note 7]</i>	3,677,023	2,374,558
Contributed Surplus	3,789	-
Accumulated other comprehensive income	567,790	790,581
Retained earnings	3,409,543	3,251,359
Total shareholders' equity	7,658,145	6,416,498
	14,729,203	13,933,472

See accompanying notes

Nature of Operations (Note 1)

Subsequent Event (Note 12)

On behalf of the Board:

"John Proust"
 Director

"Brad Windt"
 Director

PINEDALE ENERGY LIMITED.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME

[Unaudited- Expressed in Canadian dollars]

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	\$	\$	\$	\$
Oil and gas sales	732,404	894,257	1,621,895	1,927,319
Royalties (expense)/recovery	132,009	(190,520)	(26,958)	(403,089)
Net oil and gas revenue	864,413	703,737	1,594,937	1,524,230
Cost of sales				
Consulting fees	24,138	16,295	47,435	37,201
Depletion [note 4]	24,915	38,369	51,600	82,301
Production tax	102,931	86,148	192,452	181,447
Gathering	81,969	125,607	169,842	268,245
Lease operating	50,376	81,208	107,394	163,530
Transportation	4,553	6,380	12,484	14,643
	288,882	354,007	581,207	747,367
	575,531	349,730	1,013,730	776,863
GENERAL AND ADMINISTRATIVE EXPENSES				
Administration services	26,812	19,706	55,512	50,548
Consulting fees	33,169	49,661	83,941	80,649
Share based compensation	3,789	-	3,789	-
Interest	45,106	50,816	91,223	105,224
Filing and regulatory	5,825	-	5,825	-
Insurance	7,131	5,548	12,976	11,097
Reverse acquisition cost [note 3]	361,307	-	361,307	-
Office and general	9,499	2,910	13,105	6,913
Professional fees	23,225	12,604	27,295	23,779
Unrealized loss (gain) on derivative financial instruments	(59,275)	-	(59,275)	-
Foreign exchange (gain) loss	(964)	-	1,673	-
	455,624	141,245	597,371	278,210
Net income before taxes	119,907	208,485	416,359	498,653
Income tax expense	164,989	55,925	258,175	132,321
Net income (loss)	(45,082)	152,560	158,184	366,332
Other comprehensive income (loss)				
Exchange differences from translation of foreign operations	(162,967)	4,312	(222,791)	(355,581)
Comprehensive income (loss)	(208,049)	156,872	(64,607)	10,751
Basic earnings (loss) per share	(0.02)	0.12	0.13	0.30
Diluted earnings (loss) per share	(0.02)	0.12	0.00	0.30
Basic Weighted average number of common shares	2,418,603	1,241,228	1,215,983	1,241,228
Diluted weighted average number of common shares	103,064,134	1,241,228	101,861,514	1,241,228

See accompanying notes

PINEDALE ENERGY LIMITED.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

[Unaudited- Expressed in Canadian dollars]

	Number of issued and outstanding shares #	Share capital \$	Contributed Surplus \$	Retained earnings \$	Accumulated other comprehensive income (loss) \$	Total equity \$
Balance, December 31, 2015	1,241,228	2,374,558	—	2,506,082	951,049	5,831,689
Other comprehensive income for the period	—	—	—	—	(355,581)	(355,581)
Net income for the period	—	—	—	366,330	—	366,330
Balance, June 30, 2016	1,241,228	2,374,558	—	2,872,412	595,468	5,842,438
Balance, December 31, 2016	1,241,228	2,374,558	—	3,251,359	790,581	6,416,498
Shares issued for RTO	5,459,982	327,465	—	—	—	327,465
Shares issued for private placement	5,000,000	975,000	—	—	—	975,000
Shares issued from conversion	1,439,437	—	—	—	—	—
Share based compensation	—	—	3,789	—	—	3,789
Other comprehensive loss for the period	—	—	—	—	(222,791)	(222,791)
Net income for the period	—	—	—	158,184	—	158,184
Balance, June 30, 2017	13,140,647	3,677,023	3,789	3,409,543	567,790	7,658,145

See accompanying notes

PINEDALE ENERGY LIMITED.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
CASHFLOWS

[Unaudited- Expressed in Canadian dollars]

	Period ended June 30, 2017 \$	Period ended June 30, 2016 \$
OPERATING ACTIVITIES		
Net income for the period	158,184	366,332
Add item not affecting cash		
Deferred income tax expense	258,175	132,321
Non-cash portion of reverse acquisition cost	299,894	-
Unrealized gain on derivative financial instruments	(59,275)	-
Share based compensation	3,789	-
Non-cash portion of interest expense	1,621	-
Depletion	51,600	82,301
	713,988	580,954
Changes in non-cash working capital items		
Other receivables and prepaids	(120,724)	62,436
Accounts payable and accrued liabilities	(60,039)	(24,749)
Cash provided by operating activities	533,225	618,640
INVESTING ACTIVITIES		
Investment in oil and gas properties	(29,616)	(14,666)
Cash used in investing activities	(29,616)	(14,666)
FINANCING ACTIVITIES		
Funds received on issuance of share capital	975,000	-
Borrowings (repayment) on long-term debt	(425,654)	(1,152,172)
Cash provided (used in) by financing activities	549,346	(1,152,172)
Effects of exchange rate changes on cash	23,900	339,596
Increase in cash during the period	1,076,855	(208,602)
Cash, beginning of period	251,245	626,690
Cash, end of period	1,328,100	418,088

See accompanying notes

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

1. NATURE OF OPERATIONS

Pinedale Energy Limited [the “Company”] was incorporated under the British Columbia Business Corporations Act on December 17, 2007. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition with a focus on the State of Wyoming, U.S.A. The address of the Company's registered office is Suite 1500 - 701 West Georgia Street, Vancouver, British Columbia, V7Y 106. The Company is trading on the Toronto Venture Exchange (TSX-V) under the trading symbol “MCF”.

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 these consolidated financial statements.

These condensed consolidated interim 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 \$158,184 during the period ended June 30, 2017, and as of that date, the Company had retained earnings of \$3,409,543 and net working capital of \$1,375,159. 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 June 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. These consolidated financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the consolidated statement of income and comprehensive income, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2016 (“2016 Annual Financial Statements”), which have been prepared in accordance with IFRS

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue.

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the 2016 Annual Consolidated Financial Statement and were authorized for issue by the Board of Directors (the “Board”) on August 22, 2017.

Basis of measurement

The financial statements have been prepared on the historical cost convention, except for financial assets classified as available for sale and fair value through profit and loss (“FVTPL”) which are measured at fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its wholly owned controlled US subsidiary, Pinedale Energy Inc. as well as the Company’s wholly owned Canadian subsidiary 0970831 B.C. Ltd.. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation. The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

Functional and presentation currency

The functional currency of the Companies (0970831 B.C. Ltd. and Pinedale Energy Limited) is the Canadian dollar [“CAD”]. The functional currency of the Company’s US subsidiary is the US dollar [“USD”] as all of its activities are carried out in the US dollar. These condensed consolidated interim financial statements are presented in Canadian dollars. All assets and liabilities are translated into the presentation currency using the exchange rate in effect on the reporting date, shareholders equity accounts are translated using the historical rates of exchange and revenue and expenses are translated at the average rate for the period. Exchange gains and losses on translation are included as a separate component of accumulated other comprehensive income.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue associated with sales of crude oil, natural gas, and natural gas liquids is recognized upon transfer of title, which is when the risks and rewards of ownership have been transferred to the purchaser, the sales price can be measured reliably and it is probable that the economic benefits will flow to the Company. Settlement adjustments, if any, are reflected in revenue when the amounts are known.

Joint interests

A portion of the Company's exploration, development and production activities are conducted jointly with others through unincorporated joint ventures. These financial statements reflect only the Company's proportionate interest of these joint operations and the proportionate share of the relevant revenue and related costs.

Cash

Cash consists of deposits held in banks. Cash equivalents include demand deposits together with other highly liquid short-term investments with maturity dates of less than 90 days at the time of issuance. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

Royalties and production tax

Oil and gas royalties are paid, pursuant to lease agreements, to the owners of the mineral rights, which can include private citizens, state governments or the federal government. Royalties can also be granted out of the lessee's interest in the lease (often referred to as an overriding royalty). Royalties are recorded at the time the product is sold and are calculated in accordance with the applicable lease agreements. Production taxes are recorded at the time transfer of title occurs. Production taxes are calculated in accordance with the applicable regulations, are paid to the state government and are a fixed percentage of revenue.

Oil and gas properties

Pre-exploration expenditures

Expenditures made by the Company before acquiring the legal right to explore a specific area do not meet the definition of an asset, and therefore are expensed by the Company as incurred.

Exploration and evaluation expenditures

Once a legal right to explore has been obtained, acquired costs incurred are capitalized as exploration and evaluation assets ["E&E"]. These assets include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centers by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying value exceeds the recoverable amount.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The technical and commercial viability of extracting petroleum resources is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to these reserves are tested for impairment and reclassified to oil and gas properties.

Development and production costs

Oil and gas development and production assets are measured at cost less accumulated depletion, and accumulated impairment losses. Oil and gas properties include costs related to drilling development wells, well completions, infrastructure construction, successful E&E projects and estimated decommissioning liabilities.

The costs of planned major overhaul, turnaround activities and equipment replacement that maintain oil and gas properties and benefit future years of operations are capitalized. Recurring planned maintenance activities performed on shorter intervals are expensed as operating costs. Replacements outside of a major overhaul or turnaround are capitalized when it is probable that future economic benefits will flow to the Company and the associated carrying amount of the replaced asset (or part of a replaced asset) is derecognized.

Development and production assets are grouped into Cash Generating Units ["CGU"] for impairment testing and depletion calculations.

Gains and losses on disposal of an item of oil and gas properties, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of oil and gas properties and are recognized in the statement of income and comprehensive income.

Subsequent costs

Costs incurred subsequent to commercial production including the costs of replacement are recognized in cost of sales as incurred unless they increase the future economic benefits in the assets to which they relate.

Depletion

Depletion of oil and gas properties is determined using the unit-of-production method based on production volumes in relation to the total estimated proved and developed reserves as determined on an annual basis in compliance with NI 51-101 – *Standards of Disclosure of Oil and Gas Activities*. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

The calculation of depletion is based on total capitalized costs after the proved and developed reserves are fully depleted.

Proved developed reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a 90% degree of certainty to be recoverable in future years from known proved and developed reservoirs and which are considered commercially producible.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets, as oil and gas properties, and also if fact and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development and production assets are grouped in CGU for impairment testing. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the asset group is considered impaired and it is written down to its recoverable amount.

Fair value less costs of disposal is determined to be the amount for which the asset could be sold in an arm's length transaction. Fair value less costs of disposal can be determined by using an observable market or by using discounted future net cash flows.

Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Financial instruments

Financial assets

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 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. The company has reported its cash on hand as FVTPL and other receivables as loans and receivables.

Financial liabilities

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 accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

Related party transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations and it is probable that there will be a requirement to settle. The provision is measured at the best estimate of the present value of the amount required to settle the obligation using a pre-tax rate reflecting current market assessment, the time value of money and the risk specific to the obligation. Future increases resulting from the passing of time will be recognized as an accretion expense.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning liabilities

Decommissioning liabilities include those legal or constructive obligations to retire assets such as well sites, gathering systems, natural gas processing plants and access roads at the end of their productive lives. The obligation is recognized when a property is acquired or a well is completed. The amount recognized on the statement of consolidated financial position is the present value of estimated future expenditures required to settle an obligation using a risk-free rate. A corresponding asset equal to the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning cost and related long-lived asset. The amount capitalized is depleted with oil and gas properties based on the unit of production method. Increases in the decommissioning liabilities resulting from the passage of time are recognized as finance expense in the statement of income. Actual costs incurred to retire assets are charged against the decommissioning liability. Differences between the actual costs incurred and the liability accrued are recognized in income when reclamation of the area is completed.

Earnings per share

Earnings per share is calculated by dividing the net income for the period by the weighted average number of common shares outstanding during the year. The calculation of diluted earnings per share assumes any outstanding options and warrants are exercised and class B common shares are converted into class A common shares and proceeds are used to repurchase common shares at the average market price of the shares for the year. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or to items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Significant accounting estimates and judgments

The preparation of these condensed consolidated interim 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. 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.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Current accounting policy changes

There are no new accounting policy changes effecting the current period financial statements.

Future accounting policy changes

Financial instruments: classification and measurement

The IASB issued IFRS 9, Financial Instruments, which will replace IAS 39, Financial Instruments: Recognition and Measurement, on November 12, 2009. The new standard provides guidance on the classification and measurement of financial assets and financial liabilities. In November 2013, the IASB amended IFRS 9, IAS 39 and IFRS 7, Financial Instruments: Disclosures, to include the new hedge accounting requirements. In July 2014, the IASB completed the final element – hedge accounting with enhanced disclosures about risk management activities. The new standard will be effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company has not yet reviewed the impact of IFRS 9 on its consolidated financial statements.

Revenue recognition

The IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has not yet reviewed the impact of IFRS 15 on its consolidated financial statements.

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.

PINEDALE ENERGY LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

[Unaudited- Expressed in Canadian dollars]

3. REVERSE ACQUISITION

On February 28, 2017, the Company (“Pinedale”) and its shareholders entered into the Share Exchange Agreement with Outrider Energy Corp. (“Outrider”) through which Outrider will acquire all of the issued and outstanding Pinedale Shares in consideration for 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 to the Pinedale Shareholders (the “Acquisition”). This Acquisition was completed on June 1, 2017.

In connection with the Acquisition, the company also completed a non-brokered private placement financing involving the issuance of 5,000,000 Units at a price of \$0.195 per Unit for gross proceeds of \$975,000. Each Unit will consist of one class A common Share and one Warrant. Each Warrant is exercisable into one Outrider Share at a price of \$0.26 per share and expires on June 26, 2022.

In accordance with IFRS 3, Business Combinations, the substance of the Acquisition was a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since Outrider does not meet the definition of a business under the standard. As a result, under IFRS, the Transaction is accounted for as a capital transaction with Pinedale being identified as the acquirer and the transaction being measured at the fair value of the equity consideration issued to Outrider. The comparative figures included in these financial statements are those of Pinedale.

IFRS 2, *Share-based Payments*, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Since Pinedale shareholders have been issued shares with a fair value in excess of the net assets received, IFRS 2 dictates that the difference is recognized in comprehensive loss as a reverse acquisition cost.

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.

<u>Purchase price</u>		
Number of shares held by former shareholders of Outrider		2,472,114
Share price	\$	0.195
Total consideration	\$	482,062
<u>Fair value of net assets of Outrider prior to the Acquisition</u>		
Cash	\$	186,564
Other receivable		4,162
Payables		(8,558)
Net assets assumed	\$	182,168
		(299,894)
Transaction cost		(61,413)
Reverse acquisition cost	\$	(361,307)

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4. OIL AND GAS PROPERTIES

Sublette County, State of Wyoming, U.S.A.

The Company acquired seventeen leases with an undivided working interest ranging from 11.56% to 21.25% covering approximately 1,680 net acres located in Sublette County in the State of Wyoming. The Company has agreements with joint working interest owners in the leases requiring it to participate in the development of oil and natural gas wells associated with leases. Failure by the Company to pay its share of a proposed capital program could result in a significant revenue penalty related to the subject wells. If a proposed capital program results in the continuation of a lease that would otherwise expire and the Company fails to pay its proportionate share of these costs, the Company shall be obligated to assign its undivided interest in the lease to the operator, free of charge and without any consideration or refund of the purchase price. Cumulative expenditures related to the Sublette County interests consist of the following:

Balance, December 31, 2015	\$13,669,096
Additions	129,427
Change in decommissioning liability	-
Depletion	(145,240)
Reporting currency translation adjustment	(408,114)
Balance, December 31, 2016	\$13,245,169
Additions	29,616
Change in decommissioning liability	-
Depletion	(51,600)
Reporting currency translation adjustment	(443,301)
Balance, June 30, 2017	\$12,779,884

5. DECOMMISSIONING LIABILITY

The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligation is approximately \$469,767 (2016 - \$486,057). The payments to settle this obligation are expected to occur from 2040 to 2048. An inflation factor of 1.90% (2016 - 1.90%) has been applied to the estimated decommissioning liability as at June 30, 2017. The Company's risk-free rate used to calculate the fair value of the decommissioning liability is 2.75% (2016 - 2.75%) at June 30, 2017.

Balance, December 31, 2015	\$392,014
Obligations acquired due to development activity	-
Accretion of discount	3,333
Reporting currency translation adjustment	(11,653)
Balance, December 31, 2016	\$383,694
Obligations acquired due to development activity	-
Accretion of discount	1,621
Reporting currency translation adjustment	(12,904)
Balance, June 30, 2017	\$372,411

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6. 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\$4.3 million. The next scheduled Borrowing Base redetermination is to occur by September 30, 2017. These advances bear interest at Wall Street Journal Base Rate plus fifty basis points (0.50%).

At June 30, 2017 the Company had a balance due of \$3,763,330 (US\$ 2,900,000) under its existing credit facility (2016 - \$4,322,164).

Pursuant to the terms of the Loan agreement, 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 2.27:1 as at June 30, 2017 (2016 – 3.05:1) and is in compliance with this covenant.

7. SHARE CAPITAL

During the period ended June 30, 2017, the Company closed a non-brokered private placement for gross proceeds of \$975,000 as part of the Acquisition. The private placement consisted of 5,000,000 units at a price of \$0.195 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 \$0.26 per share. These warrants expire on June 26, 2022. All securities issued in connection with the private placement are subject to a hold period expiring on October 27, 2017.

During the period ended June 30, 2017, as part of the Acquisition, the Company issued a total of 4,229,096 Class A Shares and 95,770,904 Class B Shares of the Company to the shareholders of 0970831 BC. The Class B Shares are non-voting and each Class B Share will, on a pro rata basis, be automatically converted into one Class A Share if the Company determines that upon such conversion the Company would have a sufficient percentage of Class A Shares in the "Public Float" (as that term is defined and such requirement is set out in the policies of the TSX Venture Exchange ("TSXV")).

During the period ended June 30, 2017, 1,439,437 Class B shares were converted into class A shares.

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7. SHARE CAPITAL (continued)

Stock Option Plan

During the period ended June 30, 2017, in accordance to the company's stock option plan, the Company granted 1,314,064 options with an exercise price of \$0.26 and an expiry date of June 26, 2022.

In connection with this grant the company recorded a share based compensation expense of \$3,789 during the period ended June 30, 2017 (June 30, 2016 - \$Nil)

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted during the period ended June 30, 2017:

	June 30, 2017
Risk-free interest rate	0.89%
Expected life of options (in years)	5.00
Annualized volatility	75%
Share price	\$ 0.26
Fair value of options granted	\$ 0.26
Forfeiture rate	-
Dividend rate	-

Warrants

During the period ended June 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.

8. 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.

	June 30, 2017	June 30, 2016
Consulting Fees	\$35,000	\$30,000
Management fees	4,000	-
Share based compensation	2,526	-

During the period ended June 30, 2017, the Company paid \$30,000 (June 30, 2016: \$30,000) to an officer of the Company. During the same period, the Company paid \$5,000 in consulting fees to a different officer of the Company (June 30, 2016: \$Nil).

During the period ended June 30, 2017, the Company paid \$4,000 (June 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 June 30, 2017, accounts payable and accrued liabilities included \$Nil related to these payments.

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8. RELATED PARTY TRANSACTIONS (continued)

During the period ended June 30, 2017, as part of the private placement, Q investments Ltd., a related party, acquired 2,820,000 class A common shares of the company as well as 2,820,000 warrants. Immediately before the transaction Q Investments Ltd., held 290,000 class A common shares of the Company.

9. CAPITAL MANAGEMENT

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interest of all stakeholders. The capital of the Company consists of cash and the items included in the consolidated shareholders' equity, which is consistent with the prior year.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There has been no changes to the Company capital management process in the past year.

10. FINANCIAL INSTRUMENTS RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided 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. The carrying amounts of these assets included on the consolidated statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its cash with institutions of high creditworthiness.

The Company's investment policy is to hold cash in interest-bearing bank accounts and highly liquid short-term interest bearing instruments with maturities of one year or less which can be liquidated at any time without penalties.

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 period end.

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10. FINANCIAL INSTRUMENTS RISK EXPOSURE AND RISK MANAGEMENT (continued)

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 \$5,200 for the period ended June 30, 2017 (2016 - \$40,300)

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. All current financial liabilities, being accounts payable and accrued liabilities, are payable within a 90 day period and are to be funded from cash.

Market 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 \$36,000 for the period ended June 30, 2017 (2016 - \$36,800).

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10. FINANCIAL INSTRUMENTS RISK EXPOSURE AND RISK MANAGEMENT (continued)

Market risk (continued)

Commodity price risk (continued)

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 June 30, 2017, the after tax unrealized gain on outstanding derivative financial contracts was \$39,121 (June 30, 2016: \$Nil). The realized gain (loss) on settlement of derivative financial contracts during the period was \$nil.

A summary of contracts outstanding in respect of 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
January 1, 2018 to December 31, 2018	Costless Collar ⁽¹⁾	250,000	\$2.91 - \$3.285

(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 June 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 \$3,300 (2016 – \$4,200) lower

11. SEGMENT INFORMATION

The Company operates its business as a single operating segment being the development of proven and unproven reserves in the United States.

The breakdown by geographic area as at June 30, 2017 is as follows:

	Canada	United States	Consolidated
Current assets	\$ 1,097,314	\$ 852,005	\$ 1,949,319
Non-current assets	-	12,779,884	\$ 12,779,884
Total assets	1,097,314	13,631,889	14,729,203
Total liabilities	\$ 82,464	\$ 6,988,594	\$ 7,071,058
Revenues	\$ -	\$ 1,594,937	\$ 1,594,937

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11. SEGMENT INFORMATION

The breakdown by geographic area as at December 31, 2016 for total assets and total liabilities, and as at June 30, 2016 for revenue is as follows:

		Canada	United States	Consolidated
Current assets	\$	173,766	\$ 514,537	\$ 688,303
Non-current assets		-	13,245,169	\$ 13,245,169
Total assets		173,766	13,759,706	13,933,472
Total liabilities	\$	38,174	\$ 7,478,800	\$ 7,516,974
Revenues	\$	-	\$ 1,524,230	\$ 1,524,230

The Company does have two customers that make up more than 10% of total sales with Customer A making up 73% percent of sales and customer B making up 18.5% of total sales.

12. SUBSEQUENT EVENT

On July 24, 2017, the Company announced that J. Bradley Windt and Donald Sharpe (the “Lenders”) have agreed to the terms of a loan to the Company of \$3,500,000 and \$500,000, respectively, representing an aggregate amount of \$4,000,000 Net proceeds of the Loan will be used to fund the Company’s participation in the drilling of additional wells in the Pinedale natural gas field in southwestern Wyoming. The Lenders have agreed to advance the proceeds of the Loan to the Company in U.S. funds based on an exchange rate of C\$1.2559 per one U.S. dollar.

The Loan will have a maturity date of two years and will bear interest at a rate of 10% per annum, with interest payable on a monthly basis. The Company may prepay all or a portion of the Loan at any time without penalty. The Loan will be secured against the assets of the Company’s subsidiary Pinedale Energy Inc., with such security interest to be subordinated to existing security holders.

The Loan remains subject to TSX Venture Exchange acceptance and the execution of definitive loan documents.