

Consolidated Financial Statements

Pinedale Energy Limited

(Formerly Outrider Energy Corp.)

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of Pinedale Energy Limited:

We have audited the accompanying consolidated financial statements of Pinedale Energy Limited, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pinedale Energy Limited as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years the ended in accordance with International Financial Reporting Standards.



Vancouver, British Columbia
April 4, 2018

Chartered Professional Accountants

PINEDALE ENERGY LIMITED
(FORMERLY OUTRIDER ENERGY CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in Canadian dollars]

As at

	December 31, 2017	December 31, 2016
	\$	\$
ASSETS		
Current		
Cash	2,957,089	251,245
Other receivables and prepaids <i>[note 4]</i>	1,205,177	437,058
Total current assets	4,162,266	688,303
Oil and gas properties <i>[note 6]</i>	18,730,131	13,245,169
Total assets	22,892,397	13,933,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[note 5]</i>	2,598,222	625,641
Income tax payable	16,183	-
Total current liabilities	2,614,405	625,641
Decommissioning liability <i>[note 7]</i>	545,874	383,694
Promissory note <i>[notes 8 and 11]</i>	3,677,116	-
Long-term debt <i>[note 9]</i>	3,638,050	4,322,164
Deferred tax liability <i>[note 12]</i>	1,700,315	2,185,475
Total liabilities	12,175,760	7,516,974
Shareholders' equity		
Share capital <i>[note 10]</i>	5,319,746	2,374,558
Contributed Surplus	339,471	-
Accumulated other comprehensive income	258,327	790,581
Retained earnings	4,799,093	3,251,359
Total shareholders' equity	10,716,637	6,416,498
Total liabilities and shareholders' equity	22,892,397	13,933,472

Nature of Operations (Note 1)

On behalf of the Board:

"John Proust"

Director

"Brad Windt"

Director

The accompanying notes are an integral part of these consolidated financial statements.

PINEDALE ENERGY LIMITED
(Formerly Outrider Energy Corp.)

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

[Expressed in Canadian dollars]

	Year ended December 31, 2017 \$	Year ended December 31, 2016 \$
REVENUE		
Oil and gas sales	5,359,750	3,839,412
Royalties	(1,062,686)	(817,977)
Net oil and gas revenue	4,297,064	3,021,435
COST OF SALES		
Consulting fees	101,578	78,335
Depletion <i>[note 6]</i>	444,889	145,240
Production tax	526,236	367,926
Gathering	511,104	476,945
Lease operating	322,852	289,737
Transportation	32,731	28,202
	1,939,390	1,386,385
	2,357,674	1,635,050
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration services	99,492	87,053
Consulting fees <i>[note 11]</i>	177,046	140,853
Share based compensation <i>[note 10 and 11]</i>	65,294	-
Interest <i>[note 8, 9 and 11]</i>	351,409	203,734
Filing and regulatory	33,927	-
Insurance	30,102	22,192
Office and general	28,289	20,323
Travel and entertainment	13,400	477
Professional fees	141,028	59,053
Foreign exchange loss	20,320	9,630
	960,307	543,315
OTHER ITEMS		
Reverse acquisition cost <i>[note 3]</i>	519,728	-
Royalty reimbursement	(218,946)	-
	300,782	-
NET INCOME BEFORE TAXES	1,096,585	1,091,735
Income tax recovery (expense)	451,149	(346,458)
NET INCOME	1,547,734	745,277
Other comprehensive income (loss)		
Exchange differences from translation of foreign operations	(532,254)	(160,468)
COMPREHENSIVE INCOME	1,015,480	584,809
Basic earnings per share	0.16	0.18
Diluted earnings per share	0.01	0.18
Basic Weighted average number of common shares	9,917,003	4,229,096
Diluted weighted average number of common shares	117,562,533	4,229,096

The accompanying notes are an integral part of these consolidated financial statements.

PINEDALE ENERGY LIMITED

(FORMERLY OUTRIDER ENERGY CORP.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[Expressed in Canadian dollars]

	Number of issued and outstanding shares		Share capital \$	Contributed Surplus \$	Retained earnings \$	Accumulated other comprehensive income \$	Total equity \$
	Class A Common Shares #	Class B Common Shares #					
Balance, December 31, 2015	2,472,114	—	2,374,558	—	2,506,082	951,049	5,831,689
Other comprehensive income for the year	—	—	—	—	—	(160,468)	(160,468)
Net income for the year	—	—	—	—	745,277	—	745,277
Balance, December 31, 2016	2,472,114	—	2,374,558	—	3,251,359	790,581	6,416,498
Shares issued for RTO <i>[note 3]</i>	4,229,096	95,770,904	482,062	—	—	—	482,062
Shares issued for private placement <i>[note 10]</i>	10,000,000	—	2,463,126	—	—	—	2,463,126
Shares issued from conversion <i>[note 10]</i>	1,439,437	(1,439,437)	—	—	—	—	—
Share based compensation <i>[note 10]</i>	—	—	—	65,294	—	—	65,294
Discount on related party loan <i>[note 8 and 11]</i>	—	—	—	274,177	—	—	274,177
Other comprehensive loss for the year	—	—	—	—	—	(532,254)	(532,254)
Net income for the year	—	—	—	—	1,547,734	—	1,547,734
Balance, December 31, 2017	18,140,647	94,331,467	5,319,746	339,471	4,799,093	258,327	10,716,637

The accompanying notes are an integral part of these consolidated financial statements.

PINEDALE ENERGY LIMITED
(FORMERLY OUTRIDER ENERGY CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

	Year ended December 31, 2017 \$	Year ended December 31, 2016 \$
OPERATING ACTIVITIES		
Net income for the year	1,547,734	745,277
Add item not affecting cash		
Deferred tax expense (recovery)	(467,217)	346,458
Non-cash portion of reverse acquisition cost	445,041	-
Unrealized gain on derivative financial instruments	-	-
Other income	(49,998)	-
Share based compensation	65,294	-
Non-cash portion of interest expense	87,541	-
Depletion	444,889	145,240
	<u>2,073,284</u>	<u>1,236,975</u>
Changes in non-cash working capital items		
Other receivables and prepaids	(818,404)	57,336
Accounts payable and accrued liabilities	378,379	(200,039)
Cash provided by operating activities	<u>1,633,259</u>	<u>1,094,272</u>
INVESTING ACTIVITIES		
Cash received on reverse acquisition	71,629	-
Investment in oil and gas properties	(5,231,316)	(129,428)
Cash used in investing activities	<u>(5,159,687)</u>	<u>(129,428)</u>
FINANCING ACTIVITIES		
Funds received on issuance of share capital	2,463,126	-
Funds received on promissory note	4,000,000	-
Repayment on long-term debt	(400,198)	(1,366,868)
Cash provided by (used in) financing activities	<u>6,062,928</u>	<u>(1,366,868)</u>
Increase (decrease) in cash during the period	<u>2,536,500</u>	<u>(402,024)</u>
Effects of exchange rate changes on cash	169,344	26,579
Cash, beginning of period	251,245	626,690
Cash, end of period	<u>2,957,089</u>	<u>251,245</u>
Supplemental cash flow information:		
Shares issued for RTO	482,062	-
Oil and gas additions in accounts payable and accrued liabilities	1,594,201	32,827
Decommissioning liability recognized	204,770	-

The accompanying notes are an integral part of these consolidated financial statements.

PINEDALE ENERGY LIMITED
(FORMERLY OUTRIDER ENERGY CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

[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 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 \$1,547,734 during the year ended December 31, 2017, and as of that date, the Company had retained earnings of \$4,799,093 and net working capital of \$1,547,861. 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 December 31, 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
(FORMERLY OUTRIDER ENERGY CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

[Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these consolidated financial statements are based on IFRS issued and effective as at December 31, 2017. The date the Board of Directors approved these consolidated financial statements for issue on April 4, 2018

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 consolidated financial statements from the date that control commences until the date that control ceases.

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates in (the “functional currency”). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of Pinedale Energy Ltd. and 0970831 BC Ltd. The functional currency of Pinedale Energy Inc. is the US dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. 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
(FORMERLY OUTRIDER ENERGY CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

[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. Revenue is measured at the fair value of the consideration received, excluding royalties, refunds and applicable taxes. 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. 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, costs directly associated with an exploration well 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.

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(FORMERLY OUTRIDER ENERGY CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

[Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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[Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 fair value through profit or loss.

a) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

b) Available-for-sale financial assets

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income. Available-for-sale securities are written down to fair value through earnings when there is objective evidence that a financial asset is impaired.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Loans and receivables

Loans and receivables are initially carried at fair value and subsequently measured at amortized cost using the effective interest rate method. The Company has classified cash and trade receivables as loans and receivables.

d) Fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated as FVTPL.

A financial asset is classified as held for trading when it is purchased and incurred with the intention of generating profits in the near term, part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. Transaction costs are expensed in the year in which the costs are incurred. The company has reported its other receivables as FVTPL

e) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

e) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Evidence of impairment may include indicators that the issuer or counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or it has become probable that the borrower will enter bankruptcy or other financial reorganization.

Financial liabilities

All financial liabilities are designated upon inception as FVTPL or other financial liabilities.

a) Fair value through profit or loss

Financial liabilities at FVTPL are measured at fair value with changes in fair value during the reporting year being recognized in the profit or loss. The Company has classified its decommissioning liability at FVTPL.

b) Other financial liabilities

Other financial liabilities are initially measured 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

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[Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Company's accounts payable and accrued liabilities, promissory notes and debt are classified as other financial liabilities.

c) Derecognition of financial liabilities

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable 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, stock options and warrants 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.

Share based compensation

Share based compensation to non-employees are measured at fair value of goods and services received or the fair value of the equity instrument issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Share based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. The corresponding amount is recorded in contributed surplus.

The fair value of options are determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest are reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts are transferred to share capital.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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[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 period. 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 period. 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.

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[Expressed in Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES (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 consolidated 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 consolidated statement of income and comprehensive 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.

Fair value of related party promissory note

Management assesses the coupon interest rate on related party loans payable compared to the estimated interest rate if the loan payable was received from a third party. The third party interest rate is based on various assumptions and is an estimate that is updated by management on an individual loan payable basis. Changes in the assumptions may materially affect the initial fair value of the related party loan payable and subsequent interest payments made to reflect the loan payable at amortized cost.

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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.

Adoption of new and revised standards

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 assessed the impact of IFRS 9 on its consolidated financial statements and they expect any impact to be immaterial.

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 assessed the impact of IFRS 15 on its consolidated financial statements and they expect any impact to be immaterial.

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. The Company is currently assessing the impact of the adoption of these standards.

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3. REVERSE ACQUISITION

On February 28, 2017, the Company (“Outrider”) and its shareholders entered into the Share Exchange Agreement with 0970831 BC Ltd. (“Pinedale”) 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 consolidated 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	\$ 71,628
Other receivable	11,015
Payables	(45,622)
Net assets assumed	\$ 37,021
	(445,041)
Transaction cost	(74,687)
Reverse acquisition cost	\$ (519,728)

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4. OTHER RECEIVABLES AND PREPAIDS

The other receivables and prepaids balance consists of the following:

	December 31, 2017	December 31, 2016
Other receivables	\$1,172,747	422,828
Prepaid expenses	32,430	14,230
	\$1,205,177	\$437,058

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance comprise of the following:

	December 31, 2017	December 31, 2016
Accounts payable	\$2,396,378	\$569,862
Accrued liabilities	201,844	55,779
	\$2,598,222	\$625,641

6. OIL AND GAS PROPERTIES

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

The Company acquired seventeen leases with an undivided working interest ranging from 7.94% 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	6,825,561
Change in decommissioning liability	204,726
Depletion	(444,889)
Reporting currency translation adjustment	(1,100,436)
Balance, December 31, 2017	\$18,730,131

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7. DECOMMISSIONING LIABILITY

The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligation is approximately \$725,984 (2016 - \$486,057). The payments to settle this obligation are expected to occur from 2039 to 2065. An inflation factor of 2.00% (2016 – 1.90%) has been applied to the estimated decommissioning liability as at December 31, 2017. The Company’s risk-free rate used to calculate the fair value of the decommissioning liability is 2.95% (2016 – 2.75%) at December 31, 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	197,773
Accretion of discount	(9,548)
Reporting currency translation adjustment	(26,045)
Balance, December 31, 2017	\$545,874

8. PROMISSORY NOTE

On September 1, 2017, the Company executed a promissory note to secure a loan advance of \$4,000,000. The promissory note payable is secured against the assets of the Company, bears interest at a rate of 10.0% per annum which can be repaid at any time without penalty with a maturity date of September 1, 2019. The loan was initially recorded at the fair market value of \$3,629,490 using the discount rate of 15%. As such, a discount of \$370,510, net of deferred tax of \$96,333, was allocated to contributed surplus.

During the year ended December 31, 2017, the Company recognized \$127,123 and \$47,627 of interest expense and accretion, respectively. As at December 31, 2017, the Company had \$3,711,089 outstanding on the note, in which \$33,972 of interest payable was included in accounts payable and accrued liabilities.

9. LONG-TERM DEBT

On June 30, 2015, the Company obtained a US\$25 million revolving credit facility. The initial commitment 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\$3.0 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 December 31, 2017 the Company had a balance due of \$3,638,050 (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.

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9. LONG-TERM DEBT (continued)

The Company had a ratio of funded debt to EBITDAX (earnings before interest, tax, depreciation, amortization and extraordinary items) 1.46:1 as at December 31, 2017 (2016 – 3.05:1) and is in compliance with this covenant.

10. SHARE CAPITAL

Authorized

The Company is authorized to issue:

- An unlimited number of voting Class A common shares without par value; and
- An unlimited number of voting Class B common shares without par value.

Issued and Outstanding

On June 1, 2017, as part of the Acquisition, the Company issued a total of 4,229,096 Class A common shares and 95,770,904 Class B common shares of the Company to the shareholders of 0970831 BC Ltd. The Class B common shares are non-voting and each Class B common share will, on a pro rata basis, be automatically converted into one Class A common share if the Company determines that upon such conversion the Company would have a sufficient percentage of Class A common 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”).

On June 26, 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.

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.

During the year ended December 31, 2017, 1,439,437 Class B shares were converted into class A shares. As at December 31, 2017, there were 94,331,467 Class B shares outstanding.

Stock Option Plan

The Company has a 20% fixed stock option plan under which stock options to purchase common shares of the Company may be granted to directors, officers and consultants.

During the year ended December 31, 2017, 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 \$65,294 during the year ended December 31, 2017 (2016 – \$Nil). As at December 31, 2017, the Company’s stock options had a weighted average exercise price and weighted average remaining life of \$0.26 and 4.49 years, respectively.

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10. SHARE CAPITAL (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted during the year ended December 31, 2017:

	December 31, 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

On June 26, 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.

On October 26, 2017, the Company issued 5,000,000 warrants as part of a non-brokered private placement. These warrants have an exercise price of \$0.36 and expire on October 26, 2022.

As at December 31, 2017 the Company has a total of 11,999,999 warrants outstanding in which the weighted average exercise price and the weighted average remaining life was \$0.44 and 4.20 years, respectively.

11. 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.

	December 31, 2017	December 31, 2016
Interest on promissory notes	\$127,123	-
Consulting Fees	\$102,000	\$60,000
Management fees	\$28,000	-
Share based compensation	43,529	-

The promissory note described in Note 8 is payable to two directors of the Company. The promissory note payable is at agreed upon terms. During the year ended December 31, 2017, the Company paid \$127,123 (2016 – \$Nil) in interest on the promissory note.

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11. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2017, the Company paid \$63,000 (2016 – \$60,000) to an officer of the Company. During the same period, the Company paid \$39,000 in consulting fees to a different officer of the Company (2016 – \$Nil).

During the year ended December 31, 2017, the Company paid \$28,000 (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 December 31, 2017, accounts payable and accrued liabilities included \$46,890 payable to these related parties.

12. INCOME TAX

Income tax expense

The following table reconciles the expected income tax expense at the Canadian statutory income tax rate to the amounts recognized in the consolidated statement of income and comprehensive income for the period ended December 31, 2017 and 2016.

	2017	2016
	\$	\$
Net income before taxes	1,096,585	1,091,735
Current statutory income tax rate	26%	26%
Expected income tax expense	285,112	283,851
Non-deductible items	152,086	62
Change in estimates	(31,466)	(14,510)
Change in tax rate	(1,078,602)	-
Functional currency adjustments	281	(9,383)
Foreign tax rate difference	172,812	83,845
Change in deferred tax asset not recognized	48,628	2,593
Income tax expense (recovery)	(451,149)	346,458
Current tax expense	-	8,816
Deferred tax expense (recovery)	(451,149)	337,642
	(451,149)	346,458

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12. INCOME TAX (continued)

Deferred tax liabilities

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Details of deferred tax liabilities are as follows:

Deferred tax liabilities		
Oil and gas properties - USA	(1,792,117)	(2,454,812)
Decommissioning liability – USA	114,634	-
Net operating losses - USA	5,079	269,337
Non-capital losses - Canada	132,549	-
Promissory note – Canada	(87,179)	-
Other	(24,178)	-
	<u>(1,651,212)</u>	<u>(2,185,475)</u>
Deferred tax assets not recognized	49,102	-
Net deferred tax liability	<u>(1,700,314)</u>	<u>(2,185,475)</u>

Unrecognized deductible temporary differences

The unrecognized deductible temporary differences are as follows:

	2017	2016
	<u>\$</u>	<u>\$</u>
Capital losses - Canada	<u>9,972</u>	<u>9,972</u>
Unrecognized deductible temporary differences	<u>9,972</u>	<u>9,972</u>

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of net capital loss carryforwards of approximately \$9,972 (2016 – \$9,972) which may be carried forward indefinitely to apply against taxable capital gains in future years for Canadian income tax purposes, subject to the final determination by taxation authorities.

The presentation of the prior year income tax note has been updated to conform with the current year presentation.

13. 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.

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14. 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.

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.

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 exchange rate between the Canadian and US dollar which presents the most risk as the Company's operating cash flows and a significant portion of the Company's debt are denominated in US dollars. As such, an increase in the value of the Canadian dollar as compared to the US dollar will not only 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 Canadian and US dollar exchange rate would have increased (decreased) other comprehensive income (loss) by approximately \$17,700 for the year ended December 31, 2017 (2016 – \$7,000).

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.

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

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 \$88,100 for the year ended December 31, 2017 (2016 - \$133,000).

The Company is party to certain financial contracts in order to manage natural gas commodity price risks. The natural gas reference prices of the commodity contracts are referenced to natural gas market index prices. As at December 31, 2017, the after tax unrealized gain on outstanding financial contracts was \$71,869 (December 31, 2016: \$Nil). The realized gain on settlement of financial contracts during the year was \$37,999 after tax.

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

Natural Gas Period Hedged	Derivative Product Type	Quantity (MMBtu)	Price (USD/MMBtu)
January 1, 2018 to December 31, 2018	Costless Collar ⁽¹⁾	229,000	\$2.91 -\$3.285
January 1, 2018 to December 31, 2018	Costless Collar ⁽¹⁾	82,000	\$2.80 -\$3.24
January 1, 2018 to December 31, 2018	Costless Collar ⁽¹⁾	82,000	\$2.80 -\$3.41
January 1, 2018 to December 31, 2018	Costless Collar ⁽¹⁾	140,000	\$2.80 -\$3.26
January 1, 2018 to December 31, 2018	Costless Collar ⁽¹⁾	88,000	\$2.80 -\$3.35
January 1, 2019 to December 31, 2019	Costless Collar ⁽¹⁾	44,000	\$2.80 -\$3.35

(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 year ended December 31, 2017, if interest rates had been 25 basis points (0.25%) higher with all other variables held constant, after tax net income for the year would have been approximately \$3,200 (2016 – \$4,000) lower.

Fair value

The carrying value of the Company's cash, other receivables and accounts payable and accrued liabilities and debt approximate fair value due to their immediate and short-term nature. Due to the use of subjective judgements and uncertainties in the determination of fair values, these values should not be interpreted as being realized in an immediate settlement of the financial instruments.

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

The company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial instruments: Fair Value Measurement* ("IFRS 13")

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable imports other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable imports which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. There has been no change between levels during the year.

15. 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 December 31, 2017 is as follows:

	Canada	United States	Total
Current assets	\$ 1,134,686	\$ 3,027,580	\$ 4,162,266
Non-current assets	-	18,730,131	\$ 18,730,131
Total assets	1,134,686	21,757,711	22,892,397
Total liabilities	\$ 3,805,211	\$ 9,299,045	\$ 13,104,256
Revenues	\$ -	\$ 4,297,064	\$ 4,297,064

The breakdown by geographic area as at December 31, 2016 is as follows:

	Canada	United States	Total
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	\$ -	\$ 3,021,435	\$ 3,021,435

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15. SEGMENT INFORMATION (continued)

The Company has three customers making up more than 10% of total sales with each making up of 74.5%, 14.8% and 10.7% of total sales.