Condensed Consolidated Interim
Financial Statements

Pinedale Energy Limited

Unaudited- Expressed in Canadian
Dollars

For the six months ended June 30,
2019 and 2018

PINEDALE ENERGY LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2019

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, 2019 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, 2019	December 31, 2018
	$	$
ASSETS		
Current		
Cash	**549,862**	252,289
Other receivables and prepaids	**530,000**	1,380,081
Total current assets	**1,079,862**	1,632,370
Oil and gas properties *[note 4]*	**10,522,328**	11,693,786
	11,602,190	13,326,156
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,132,036**	1,552,992
Income tax payable	**17,639**	45,439
Current portion of promissory note *[notes 6 and 9]*	**3,422,873**	3,833,837
Current portion of long-term debt *[note 7]*	**6,085,455**	7,366,680
Total current liabilities	**10,658,003**	12,798,948
Decommissioning liability *[note 5]*	**724,670**	751,831
Deferred tax liability	**178,144**	42,737
Total liabilities	**11,560,817**	13,593,516
Shareholders' equity		
Share capital *[note 8]*	**5,319,746**	5,319,746
Contributed Surplus	**458,777**	430,591
Accumulated other comprehensive income	**771,402**	924,878
Retained earnings (deficit)	**(6,508,552)**	(6,942,575)
Total shareholders' equity	**41,373**	(267,360)
	11,602,190	13,326,156

See accompanying notes

Nature of Operations (Note 1)

On behalf of the Board:

"John Proust"	*"Brad Windt"*
Director	Director

PINEDALE ENERGY LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

[Unaudited- Expressed in Canadian dollars]

	Three months ended June 30, 2019 $	Three months ended June 30, 2018 $	**Six months ended June 30, 2019 $**	Six months ended June 30, 2018 $
Oil and gas sales	**1,298,404**	2,359,400	**3,981,800**	4,582,979
Royalties	**(267,116)**	(502,399)	**(810,877)**	(973,960)
Net oil and gas revenue	**1,031,288**	1,857,001	**3,170,923**	3,609,019
Cost of sales				
Consulting fees	**4,575**	29,008	**9,175**	59,934
Depletion *[note 4]*	**352,418**	381,343	**739,374**	627,982
Production tax	**126,750**	228,416	**383,616**	445,567
Gathering	**175,807**	282,877	**365,616**	515,599
Lease operating	**221,301**	200,680	**402,914**	297,584
Transportation	**8,475**	38,651	**15,189**	51,375
	889,326	1,160,975	**1,915,884**	1,998,041
	141,962	696,026	**1,255,039**	1,610,978
GENERAL AND ADMINISTRATIVE EXPENSES				
Administration services	**15,450**	31,219	**52,494**	64,290
Consulting fees	**36,065**	48,203	**93,103**	115,355
Share based compensation	**13,982**	30,848	**28,185**	62,105
Interest	**224,887**	167,376	**469,151**	313,465
Filing and regulatory	**11,862**	3,614	**11,862**	10,429
Insurance	**8,096**	8,226	**16,074**	16,620
Office and general	**7,397**	1,535	**15,039**	2,718
Travel and entertainment	-	–	-	3,666
Professional fees	**10,251**	27,875	**24,407**	44,690
Foreign exchange loss (gain)	**(4,532)**	291	-	(56,247)
	323,458	319,187	**710,315**	577,091
Net income (loss) before taxes	**(181,496)**	376,839	**544,724**	1,033,887
Income tax expense (recovery)	**(57,962)**	89,730	**110,700**	237,513
Net income (loss)	**(123,534)**	287,109	**434,024**	796,374
Other comprehensive income (loss):				
Exchange differences from translation of foreign operations	**(87,922)**	329,867	**(153,477)**	701,011
Comprehensive income (loss)	**(211,456)**	616,976	**280,547**	1,497,384
Basic earnings per share	**0.00**	0.02	**0.00**	0.04
Diluted earnings per share	**0.00**	0.00	**0.00**	0.01
Basic Weighted average number of common	**112,472,114**	18,140,647	**112,472,114**	18,140,647
Diluted weighted average number of common	**112,472,114**	125,786,177	**112,472,114**	125,786,177

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 Class A Common shares	Share capital	Contributed Surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
	#	$	$	$	$	$
Balance, December 31, 2017	**18,140,647**	**5,319,746**	**339,471**	**4,799,093**	**258,327**	**10,716,637**
Shares issued from conversion	94,331,467					-
Share based compensation			91,120			91,120
Other comprehensive income for the year					666,551	666,551
Net income (loss) for the year				(11,741,668)		(11,741,668)
Balance, December 31, 2018	**112,472,114**	**5,319,746**	**430,591**	**(6,942,575)**	**924,878**	**(267,360)**
Share based compensation			28,186			28,186
Other comprehensive income (loss) for the period					(153,476)	(153,476)
Net income for the period				434,023		434,023
Balance, June 30, 2019	**112,472,114**	**5,319,746**	**458,777**	**(6,508,552)**	**771,402**	**41,373**

See accompanying notes

PINEDALE ENERGY LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

[Unaudited- Expressed in Canadian dollars]

	Period ended June 30, 2019	Period ended June 30, 2018
	$	$
OPERATING ACTIVITIES		
Net income for the period	**434,023**	796,374
Add items not affecting cash		
Deferred income tax expense	**138,500**	216,698
Share based compensation	**28,185**	62,105
Non-cash portion of interest expense	**92,526**	2,643
Depletion	**739,374**	627,982
	1,432,608	1,705,802
Changes in non-cash working capital items		
Other receivables and prepaids	**850,081**	(3,757)
Accounts payable and accrued liabilities	**(448,756)**	1,106,329
Cash provided by operating activities	**1,833,933**	2,808,374
INVESTING ACTIVITIES		
Investment in oil and gas properties	**(29,851)**	(7,407,387)
Cash used in investing activities	**(29,851)**	(7,407,387)
FINANCING ACTIVITIES		
Funds received (paid) on promissory note	**(500,000)**	-
Borrowings (repayment) on long-term debt	**(981,525)**	2,419,230
Cash provided by (used in) financing activities	**(1,481,525)**	2,419,230
Effects of exchange rate changes on cash	**(24,984)**	(171,089)
Increase (decrease) in cash during the period	**297,573**	(2,350,872)
Cash, beginning of period	**252,289**	2,957,089
Cash, end of period	**549,862**	606,217

See accompanying notes

1. NATURE OF OPERATIONS

Pinedale Energy Limited [“Pinedale” or 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”.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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, 2018 (“2018 Annual Consolidated Financial Statements”), which have been prepared in accordance with IFRS.

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.

Except for the impact of adoption of new accounting standards as discussed in note 3 below, all accounting policies and methods of computation followed in the preparation of these condensed consolidated interim financial statements are the same as those disclosed in Note 3 of Pinedale’s Annual Consolidated Financial Statements and were authorized for issue by the Board of Directors (the “Board”) on August 27, 2019.

[Unaudited- Expressed in Canadian dollars]

3. CHANGES IN ACCOUNTING POLICIES

IFRS 16 "Leases"

On January 1, 2019, Pinedale adopted IFRS 16. IFRS 16, 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. The Company does not have leases that were required to be recognized on its balance sheet at June 30, 2019.

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, 2017	**$18,730,131**
Additions	8,570,649
Change in decommissioning liability	170,697
Depletion	(1,763,451)
Impairment	(14,785,130)
Reporting currency translation adjustment	770,890
Balance, December 31, 2018	**$11,693,786**
Additions	29,851
Depletion	(739,374)
Reporting currency translation adjustment	(461,935)
Balance, June 30, 2019	**$10,522,328**

At December 31, 2018, the recoverable amount of the Company's assets was estimated to be $11,693,786. In 2018, due to the decline of the forecasted commodity prices and economic viability of the estimated Company reserves, the Company recorded an impairment totaling $14,785,130.

The recoverable amount was determined by using the Company's forecasted reserves volumes and values in the 2018 year-end reserve report prepared by an independent reserve evaluator. The recoverable amount is the fair value less costs of disposal (level 3 inputs) which was calculated using a discounted cash flow approach based on the proved plus probable reserves at a discount rate of 10%.

[Unaudited- Expressed in Canadian dollars]

5. DECOMMISSIONING LIABILITY

The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligation is approximately $993,663 (2018 - $1,035,802). The payments to settle this obligation are expected to occur from 2039 to 2065. An inflation factor of 2.00% (2018 – 2.00%) has been applied to the estimated decommissioning liability as at June 30, 2019. The Company's risk-free rate used to calculate the fair value of the decommissioning liability is 2.95% at June 30, 2019 (2018 – 2.95%).

Balance, December 31, 2017	**$545,874**
Obligations acquired due to development activity	170,697
Accretion of discount	20,357
Change in estimate	(32,233)
Reporting currency translation adjustment	47,136
Balance, December 31, 2018	**$751,831**
Accretion of discount	3,491
Reporting currency translation adjustment	(30,652)
Balance, June 30, 2019	**$724,670**

6. 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 period ended June 30, 2019, the Company recognized $189,178 and $89,035 of interest expense and accretion, respectively. During this period the company also made a debt repayment in the amount of $500,000. As at June 30, 2019, the Company had $3,451,640 outstanding on the Note, in which $28,767 of interest payable was included in accounts payable and accrued liabilities.

7. 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. As at June 30, 2019 the Collateral Borrowing Base was US$6.0 million. The next scheduled Borrowing Base redetermination is to occur by September 30, 2019. These advances bear interest at Wall Street Journal Base Rate plus fifty basis points (0.50%).

At June 30, 2019 the Company had a balance due of $6,085,455 (US$ 4,650,000) under its existing credit facility (December 31, 2018 - $7,366,680).

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. As at June 30, 2019 and December 31, 2018 the Company was in compliance with this covenant.

8. 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

During the year ended December 31, 2018, 94,331,467 Class B shares were converted into Class A shares. As at June 30, 2019, there were 112,472,114 Class A shares outstanding and no 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.

No stock options were granted in 2018 or in the six month period ended June 30, 2019.
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 $28,185 during the period ended June 30, 2019 (June 30, 2018 – $62,105). As at June 30, 2019, the Company's stock options had a weighted average exercise price and weighted average remaining life of $0.26 and 2.99 years, respectively.

[Unaudited- Expressed in Canadian dollars]

8. 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:

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 April 30, 2016, the Company issued 999,999 warrants as part of a non-brokered private placement. These warrants have an exercise price of $0.26 and expire on April 29, 2021.

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 June 30, 2019, the Company has a total of 10,999,999 warrants outstanding and exercisable in which the weighted average exercise price and the weighted average remaining life was $0.30 and 3.04 years, respectively.

9. 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 , 2019	June 30 , 2018
Interest on promissory notes	$189,178	$198,356
Consulting Fees	$72,000	$72,000
Management fees	-	$24,000
Directors fees	$6,000	-
Share based compensation	$18,790	$41,130

9. RELATED PARTY TRANSACTIONS (continued)

The promissory note described in Note 6 is payable to two directors of the Company. The promissory note payable is at agreed upon terms. During the period ended June 30, 2019, the Company paid $189,178 (June 30, 2018: $198,356) in interest on the promissory note.

During the period ended June 30, 2019, the Company paid $36,000 (June 30, 2018: $36,000) to an officer of the Company. During the same period, the Company paid $36,000 in consulting fees to a different officer of the Company (June 30, 2018: $36,000).

During the period ended June 30, 2019, the Company paid $Nil (June 30, 2018: $24,000) 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, 2019, accounts payable and accrued liabilities included $43,767 (June 30, 2018: $36,877) related to these payments.

10. 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.

11. 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.

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 $4,500 for the period ended June 30, 2019 (2018 - $16,200).

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 $80,000 for the period ended June 30, 2019 (2018 - $69,200).

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, 2019, if interest rates had been 25 basis points higher with all other variables held constant, after tax net income for the period would have been approximately $6,400 (2018 – $2,900) lower.

[Unaudited- Expressed in Canadian dollars]

12. 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, 2019 is as follows:

	Canada	United States	Consolidated
Current assets	$ 106,854	$ 973,008	$ 1,079,862
Non-current assets	-	10,522,328	$ 10,522,328
Total assets	106,854	11,495,336	11,602,190
Total liabilities	$ 3,616,147	$ 7,944,670	$ 11,560,817
Revenues	$ -	$ 3,170,923	$ 3,170,923

The breakdown by geographic area as at December 31, 2018 for total assets and total liabilities, and as at June 30, 2018 for revenue is as follows:

	Canada	United States	Consolidated
Current assets	$ 229,351	$ 1,403,019	$ 1,632,370
Non-current assets	-	11,693,786	$ 11,693,786
Total assets	229,351	13,096,805	13,326,156
Total liabilities	$ 4,019,258	$ 9,574,255	$ 13,593,513
Revenues	$ -	$ 3,609,019	$ 3,609,019

The Company does have one customer that makes up more than 10% of total sales with Customer A making up 88.2% percent of sales (2018 – 78.6%).