

Pinedale Energy Limited.
Management's Discussion and Analysis
For the Nine Months Ended September 30, 2019

Introduction

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

Additional Information

This Management Discussion and Analysis ("MD&A") has been prepared by the management of Pinedale and provides an analysis of the financial results of Pinedale's operations and financial results for the period ended September 30, 2019 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended September 30, 2019 as well as the audited financial statements and the notes thereto for the year ended December 31, 2018.

The Company reports its financial information in Canadian dollars and all dollar amounts are stated in Canadian dollars unless otherwise noted. The financial information presented in this MD&A is current as of September 30, 2019 and has been prepared in accordance with international financial reporting standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB") and related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

This MD&A has been approved by the Company's Board of Directors on November 27, 2019.

Forward-Looking Statements

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

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

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

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

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

Overview and Outlook

Pinedale Energy Limited is a Canadian junior oil and gas company focused on the development of its Pinedale Properties situated in the Pinedale field area of southwest Wyoming, USA. The Company does not operate the Pinedale Properties and the Pinedale Properties are operated by designated Operators that are also joint interest owners in the leases. The Pinedale Properties comprise oil and gas leases totalling 11,994 gross acres (1,680 net acres) situated in the Warbonnet and Mesa townships of Sublette County, southwest Wyoming. The Warbonnet area acreage totals approximately 2,482 gross acres (516 net acres) and the Mesa area acreage totals approximately 9,512 gross acres (1,164 net acres).

Natural gas from the Pinedale field is produced from the Lance pool, a giant tight sandstone gas reservoir developed primarily between depths of 10,000 feet to 14,000 feet within a 110-square-mile area. An important milestone for Pinedale field development occurred in 2008 with the issuance of the Pinedale Supplemental Environmental Impact Statement Record of Decision ("ROD") by the Bureau of Land Management. The ROD allows for year-round development activity and enables operators to execute on concentrated drilling and completion programs that have in turn generated operational efficiencies and accelerated development of the field. Vertical well density allowances in both the Warbonnet and Mesa productive areas are approved to 5-acre well. In addition to vertical well drilling, certain operators have recently trialed horizontal well development in the Lance and Mesaverde reservoirs and variable performance results have been realized.

During the nine months ended September 30, 2019 Pinedale did not participate in the development of any new wells. Pinedale is focused on repaying existing capital loans and will evaluate AFE well proposals on a case by case basis. Pinedale's AFE election decisions are influenced by considerations that include internally generated projections of internal rates of returns, access to capital, well development scenarios and alternative well proposals. As at September 30, 2019 Pinedale owned working interests in 26 producing wells (4.745 net).

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Financial Snapshot

The following table summarizes selected financial information reported by the Company for the periods ended September 30, 2019 and 2018.

	September 30, 2019	September 30, 2018
Total revenue (before royalties)	5,122,788	6,908,381
Funds from operations	1,619,901	2,377,050
Net income	250,504	1,052,078
Basic earnings per share	0.00	0.06
Diluted earnings per share	0.00	0.01
Total assets	11,674,943	27,988,271
Total long-term debt	9,657,995	11,042,518

Funds from Operations

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

Quarterly Financial Information

(\$000 except per share amounts)	2019				2018			2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue (before royalties)	1,141	1,298	2,683	2,685	2,325	2,359	2,224	2,484
Funds from operations	187	265	1,168	935	671	776	930	1,191
Net income	(184)	(124)	558	(12,794)	256	287	509	1,430
Per share - basic	(0.00)	(0.00)	0.00	(0.41)	0.01	0.02	0.03	0.09
Per share - diluted	(0.00)	(0.00)	0.00	(0.29)	0.00	0.00	0.00	0.01
Total assets	11,675	11,602	12,778	27,988	27,988	28,467	26,094	22,892
Total long-term debt	9,658	9,508	10,092	11,043	11,043	9,812	7,455	7,315

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Results of Operations

Production

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Natural gas (mcf/d)	3,579	6,012	4,009	6,499
Oil & natural gas liquids (bbl/d)	33	57	36	62
Barrels of oil equivalent (boe/d)	629	1,059	704	1,145
Thousand cubic feet equivalent (mcf/d)	3,775	6,355	4,227	6,868

Natural gas production averaged 4,009 mcf/d for the first nine months of 2019, 38 percent lower than the 6,499 mcf/d reported for the same period in 2018. Oil and natural gas liquids production averaged 36 bbl/d in the first nine months of 2019 compared to 62 bbl/d for the same period in 2018, a decrease of 42%. The decrease in production reflects the fact there were six new wells completed in the third and fourth quarters of 2017 with an additional nine new wells coming on sales in the first quarter of 2018. There have been no new wells added in the last six months of 2018 or the first nine months of 2019.

Commodity Prices

(in CAD\$)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Natural gas - after hedging (\$/mcf)	2.74	3.31	3.97	3.08
Natural gas - after hedging (\$/mmbtu)	2.52	3.05	3.66	2.84
Henry Hub (\$/mmbtu)	3.14	3.83	3.48	3.80
Oil & natural gas liquids (\$/bbl)	78.58	94.06	77.55	86.37
NYMEX crude oil (\$/bbl)	74.39	91.17	75.81	86.13

Pinedale's average natural gas price achieved for the first nine months of 2019 was \$3.97/mcf, a 29 percent increase from the \$3.08/mcf price average for the same period in 2018. Average natural gas prices for the third quarter of 2019 was \$2.74/mcf, a 17% decrease from the \$3.31/mcf price average for the third quarter of 2018 and down 39% from the \$4.51/mcf price average in the first two quarters of 2019. Oil and natural gas liquids prices averaged \$77.55/bbl, a 10% decrease from the \$86.37/bbl average for the first three quarters of 2018.

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Revenue

(\$000)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Natural gas	901	1,943	4,350	5,565
Oil & natural gas liquids	236	495	769	1,451
Hedging gain (loss)	4	(112)	4	(107)
Total revenue	1,141	2,325	5,123	6,908

Total revenue for the nine months ended September 30, 2019 decreased by 26% to \$5.1 million from \$6.9 million in 2018. This was due to decreased production volumes offset by improved natural gas prices. Oil & natural gas liquids revenues for the nine month period were down 47% over the same period in 2018 due to declines in both production and oil prices. Total revenues for the three month period were down 51% from 2018 levels due to declining production levels and prices.

General and Administrative Expenses

(\$000)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
General and administrative expenses	387	415	1,097	993
Select items:				
Consulting fees	36	38	129	153
Interest	266	208	735	522
Professional fees	42	36	67	80

General and administrative expenses of \$1.1 million for the nine month period ended September 30, 2019 were 10% higher than the \$993 thousand incurred in the first nine months of 2018. Significant variances occurred in the following expense items:

- Consulting fees of \$129 thousand (2018: \$153 thousand) were lower due to reductions in management and public company services required.
- Interest costs of \$735 thousand (2018: \$522 thousand) increased as a result of additional borrowings (Long-term debt) arranged to help finance new well development in the fourth quarter of 2017 and first six months of 2018.
- Professional fees of \$67 thousand (2018: \$80 thousand) decreased due to reduced corporate activity.

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For the three month period ended September 30, 2019, general and administrative expenses were \$387 thousand, 7% lower than the same period in 2018:

- Consulting fees of \$36 thousand (2018: \$38 thousand) were lower due to reduced management and public company services required.
- Interest costs of \$266 thousand (2018: \$208 thousand) increased as a result of additional borrowings arranged to help finance new well development in 2018.
- Professional fees of \$42 thousand (2018: \$36 thousand) increased due to additional corporate activity.

Netbacks

(\$/mcf)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Average sale price	3.29	3.98	4.44	3.68
Less:				
Royalties	0.64	0.87	0.90	0.79
Production taxes	0.16	0.38	0.38	0.36
Operating expenses	1.08	0.91	1.01	0.77
Field netback	1.41	1.82	2.15	1.76
General and administrative	0.35	0.25	0.31	0.25
Interest on long-term debt	0.54	0.35	0.49	0.27
Cash netback (\$/mcf)	0.52	1.21	1.35	1.24
Cash netback (\$/boe)	3.14	7.29	8.10	7.42

Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess performance and efficiency. Pinedale's field netback for the nine months ended September 30, 2019 was \$2.15/mcf, an increase of 22% from the \$1.76/mcf achieved in the same period for 2018.

Liquidity and Capital Resources

The Company's cash position as at September 30, 2019 was \$775,927 compared to \$252,289 as at December 31, 2018. As at September 30, 2019, the Company had a negative working capital of \$9,557,818 compared to a negative working capital of \$11,166,578 as at December 31, 2018.

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Pinedale's policy is to balance funding for the capital program with cash flow, equity and available bank lines. Earnings and cash flow are sensitive to changes in commodity prices, exchange rates and other factors that are beyond the Company's control. Current volatility in commodity prices creates uncertainty as to the funds from operations and capital expenditure budget. Accordingly, results are assessed throughout the year and operational plans revised as necessary to reflect the most current information.

Operating Activities

During the nine months ended September 30, 2019, the Company generated \$2,077,301 from operating activities (September 30, 2018: \$2,041,229). Funds from operations was \$1,619,901 during the nine months ended September 30, 2019 (September 30, 2018: \$2,377,050).

Investing Activities

During the nine months ended September 30, 2019, the Company spent \$34,449 on the development of oil and gas properties (September 30, 2018: \$8,114,975).

Financing Activities

During the nine months ended September 30, 2019, the Company did not receive any financing funds (September 30, 2018: \$3,476,588). During the nine months ending September 30, 2019, the Company repaid \$993,225 towards its long-term debt (September 30, 2018: \$Nil). In addition, during the nine month period ended September 30, 2019 the Company repaid \$500,000 on the promissory note payable (September 30, 2018: \$Nil).

Continuance of operations

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

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company realized net income after tax of \$250,504 for the nine months ended September 30, 2019, and as of that date, the Company had a deficit of \$6,692,071 and negative working capital of \$9,557,818. Management has carried out an assessment of the going concern assumption and has concluded that the cash position of the Company is sufficient to finance continued operations for the twelve-month period subsequent to September 30, 2019.

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

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going concern, adjustments which may be significant could be required to the carrying value of the assets and liabilities.

Long-term debt

On June 30, 2015, the Company's wholly owned subsidiary, Pinedale Energy Inc., entered into a US\$25 million revolving credit facility with CrossFirst Bank. The initial Revolver Commitment from the Bank allowed for revolving loan advances to the Company to a maximum of US\$5 million. This was subsequently increased to US\$6.0 million effective June 28, 2018. 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 September 30, 2019 the Collateral Borrowing Base was US\$6.0 million. The next scheduled Borrowing Base redetermination is to occur by March 31, 2020. These advances bear interest at Wall Street Journal Base Rate plus fifty basis points (0.50%).

At September 30, 2019, the Company had a balance due of \$6,157,995 (US\$4,650,000) under its existing credit facility (December 31, 2018 - \$7,366,680).

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

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

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:

As at the date of this MD&A, the Company has 112,472,114 class A shares issued and outstanding. As at September 30, 2019, there were no Class B shares outstanding.

Stock Options Outstanding

As at the date of this MD&A, 1,314,064 options are outstanding with an expiry date of June 26, 2022. A total of 438,021 of these options are vested and exercisable. In connection with this grant the company recorded a share-based compensation expense of \$34,007 during the nine month period ended September 30, 2019 (2018 – \$76,629). As at September 30, 2019, the Company's stock options had a weighted average exercise price and weighted average remaining life of \$0.26 and 2.74 years, respectively.

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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 September 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 2.79 years respectively.

Related Party Transactions

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

	September 30, 2019	September 30, 2018
Interest on promissory notes	\$277,397	\$299,178
Consulting fees	\$108,000	\$106,000
Directors fees	\$9,000	\$1,000
Management fees	-	\$28,000
Share based compensation	\$22,671	\$51,086

The promissory note discussed under financing activities is payable to a director and former director 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 September 30, 2019, the Company paid \$54,000 (September 30, 2018: \$52,000) to an officer of the Company. During the same period, the Company paid \$54,000 in consulting fees to a different officer of the Company (September 30, 2018: \$54,000).

During the period ended September 30, 2019, the Company paid \$9,000 (September 30, 2018: \$1,000) to a director of the Company.

During the period ended September 30, 2019, the Company paid \$Nil (September 30, 2018: \$28,000) 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.

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As at September 30, 2019, accounts payable and accrued liabilities included \$40,767 (September 30, 2018: \$43,877) related to these payments.

Off-Balance Sheet Arrangements

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

Financial Instruments and Risk Management

Financial instruments

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

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

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

- Fair value through profit or loss: Financial instruments under this classification include cash and derivative assets and liabilities.
- Amortized cost: Financial instruments under this classification include accounts receivable, accounts payable, accrued liabilities, promissory notes and long-term debt.

Risk management

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

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

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

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Company's revenue and ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by Canadian and United States demand, but also by world events that dictate the levels of supply and demand. A \$0.10 increase (decrease) in the NYMEX natural gas price would have increased (decreased) net income by approximately \$110,000 for the period ended September 30, 2019 (2018 - \$127,400).

Interest rate risk

The Company is exposed to interest rate risk related to interest expense on its revolving credit facility due to the floating interest rate charged on advances. For the period ended September 30, 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 \$9,400 (2018 – \$7,900) lower.

Foreign exchange risk

Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. For the Company, it is the CAD/USD exchange rate which presents the most risk as the Company's operating cash flows and a significant portion of the Company's debt are denominated in U.S. dollars. An increase in the value of the Canadian dollar as compared to the U.S. dollar will reduce the net cash flow from the oil and gas operations but will reduce the Canadian dollar equivalent of the Company's debt and reduce the Canadian dollar equivalent cost of acquisitions. A \$0.01 increase (decrease) in the CAD/USD exchange rate would have increased (decreased) other comprehensive income (loss) by approximately \$3,300 for the period ended September 30, 2019 (2018 - \$9,900).

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such

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estimates could be pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Reserves

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

Decommissioning liability

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

Oil and gas properties

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

Deferred Taxes

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

Accounting Changes

Voluntary changes in accounting policy are made only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. When the Company has not applied a new primary source of GAAP that has

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been issued, but is not effective, the Company will disclose the fact along with information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the financial statements in the period of initial application.

Commitments

The Company currently has no commitments.

Controls and Procedures

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

Legal Matters

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

Proposed Transactions

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

Risks and Uncertainties

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

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

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

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

Dependency on Operator - The Company is not the operator of the Pinedale Properties and the Company is reliant on designated operators to plan and execute all aspects of operations on the Pinedale Properties. As a result, the Company as Non-Operator is not in control of the pace or timing of development of its Pinedale Properties.

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

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

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

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

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

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

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Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

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

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