

Condensed Consolidated Interim Financial Statements

Pinedale Energy Limited

Unaudited - Expressed in Canadian Dollars

For the nine months ended September 30, 2020 and
2019

PINEDALE ENERGY LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2020

Management's Comments on Unaudited Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Pinedale Energy Limited for the nine month period ended September 30, 2020 have been prepared by the Company's management and approved by the Audit Committee and Board of Directors of the Company.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by the entity's auditor.

PINEDALE ENERGY LIMITED**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

[Unaudited - Expressed in Canadian dollars]

	September 30, 2020	December 31, 2019
	\$	\$
ASSETS		
Current		
Cash	92,634	747,438
Other receivables and prepaids	5,708	666,338
Total current assets	98,342	1,413,776
Oil and gas properties <i>[note 3]</i>	-	10,755,878
	98,342	12,169,654
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	91,567	1,151,654
Promissory note <i>[note 5]</i>	100,043	-
Total current liabilities	191,610	1,151,654
Decommissioning liability <i>[note 4]</i>	-	912,655
Promissory note <i>[notes 5 and 8]</i>	-	3,234,038
Long-term debt <i>[note 6]</i>	-	6,039,420
Total liabilities	191,608	11,337,767
Shareholders' equity		
Share capital <i>[note 7]</i>	5,319,746	5,319,746
Contributed surplus	694,535	688,841
Accumulated other comprehensive income	-	732,774
Retained earnings	(6,107,549)	(5,909,474)
Total shareholders' equity	(93,268)	831,887
	98,342	12,169,654

See accompanying notes

Nature of Operations (Note 1)

Subsequent Events (Note 12)

On behalf of the Board:

"Gordon Nielsen"

Director

"Claus Andrup"

Director

PINEDALE ENERGY LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

[Unaudited - Expressed in Canadian dollars]

	Three months ended September 30, 2020 \$	Three months ended September 30, 2019 \$	Nine months ended September 30, 2020 \$	Nine months ended September 30, 2019 \$
Oil and gas sales	-	1,140,988	1,753,575	5,122,788
Royalties	-	(222,694)	(111,770)	(1,033,572)
Net oil and gas revenue	-	918,294	1,641,805	4,089,216
Cost of sales				
Consulting fees	-	315,037	7,781	14,555
Depletion [note 3]	-	-	573,483	1,054,411
Production tax	-	55,211	133,406	438,826
Gathering	-	153,075	250,031	518,691
Lease operating	-	207,093	305,316	610,007
Transportation	-	8,026	13,799	23,215
	-	743,821	1,283,816	2,659,705
	-	174,473	357,989	1,429,511
GENERAL AND ADMINISTRATIVE EXPENSES				
Administration services	-	12,657	51,420	65,151
Consulting fees	1,000	35,931	93,974	129,034
Directors' fees	11,484	-	11,484	-
Share based compensation	-	5,821	5,694	34,007
Interest	-	265,912	287,163	735,063
Filing and regulatory	4,542	3,384	18,972	15,245
Insurance	-	8,120	15,262	24,194
Office and general	238	12,960	14,328	27,999
Professional fees	38,265	42,109	140,988	66,516
Foreign exchange loss (gain)	1,193	-	(78)	-
Net gain on disposal of subsidiary	(83,143)	-	(83,143)	-
	(26,421)	386,894	556,064	1,097,209
Net income (loss) before taxes	26,421	(212,421)	(198,075)	332,302
Income tax expense	-	(28,902)	-	81,798
Net income (loss)	26,421	(183,519)	(198,075)	250,504
Other comprehensive income (loss):				
Exchange differences from translation of foreign operations	(732,774)	28,839	(732,774)	(124,638)
Comprehensive (loss) income	(706,353)	(154,680)	(930,849)	125,866
Basic earnings (loss) per share	0.00	0.00	(0.00)	0.00
Diluted earnings (loss) per share	0.00	0.00	(0.00)	0.00
Basic weighted average number of common shares	112,472,114	112,472,114	112,472,114	112,472,114
Diluted weighted average number of common shares	112,472,114	112,472,114	112,472,114	112,472,114

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, 2018	112,472,114	5,319,746	430,591	(6,942,575)	924,878	(267,360)
Share based compensation	-	-	39,826	-	-	39,826
Discount on related party loan	-	-	218,424	-	-	218,424
Other comprehensive loss for the year	-	-	-	-	(192,104)	(192,104)
Net income for the year	-	-	-	1,033,101	-	1,033,101
Balance, December 31, 2019	112,472,114	5,319,746	688,841	(5,909,474)	732,774	831,887
Share based compensation	-	-	5,694	-	-	5,694
Other comprehensive loss for the period	-	-	-	-	(732,774)	(732,774)
Net income loss for the period	-	-	-	(198,075)	-	(198,075)
Balance, September 30, 2020	112,472,114	5,319,746	694,535	(6,107,549)	-	(93,268)

See accompanying notes

PINEDALE ENERGY LIMITED**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

[Unaudited - Expressed in Canadian dollars]

	Period ended September 30, 2020 \$	Period ended September 30, 2019 \$
OPERATING ACTIVITIES		
Net income (loss) for the period	(198,075)	250,504
Add items not affecting cash		
Deferred income tax expense	-	109,598
Share based compensation	5,694	34,007
Net liabilities on disposal of subsidiary	(331,543)	-
Non-cash portion of interest expense	73,974	171,381
Depletion	573,483	1,054,411
	<u>123,533</u>	<u>1,619,901</u>
Changes in non-cash working capital items		
Other receivables and prepaids	349,078	816,758
Accounts payable and accrued liabilities	(353,793)	(359,358)
Cash provided by operating activities	<u>118,818</u>	<u>2,077,301</u>
INVESTING ACTIVITIES		
Investment in oil and gas properties	(26,245)	(34,449)
Cash used in investing activities	<u>(26,245)</u>	<u>(34,449)</u>
FINANCING ACTIVITIES		
Funds received (paid) on promissory note	(542,957)	(500,000)
Borrowings (repayment) on long-term debt	(204,420)	(993,225)
Cash provided by (used in) financing activities	<u>(747,377)</u>	<u>(1,493,225)</u>
Effects of exchange rate changes on cash	-	(25,989)
Increase (decrease) in cash during the period	<u>(654,804)</u>	<u>523,638</u>
Cash, beginning of period	747,438	252,289
Cash, end of period	<u>92,634</u>	<u>775,927</u>

See accompanying notes

PINEDALE ENERGY LIMITED

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

[Unaudited - Expressed in Canadian dollars]

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 previously 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 1C6. The Company is trading on the Toronto Venture Exchange (TSX-V) under the trading symbol "MCF".

On July 29, 2020 the Company sold its interest in its wholly-owned subsidiary companies with the result that the Company's oil and gas assets and related liabilities were disposed of. The consolidated financial statements include the results of the subsidiaries to the date of disposition.

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, 2019 ("2019 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.

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 November 28, 2020.

PINEDALE ENERGY LIMITED
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3. OIL AND GAS PROPERTIES

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

The Company's oil and gas assets comprised seventeen leases in Sublette County in the State of Wyoming. In July 2020 the Company completed the sale of its wholly-owned subsidiary, 0970831 B.C. Ltd., and its indirect wholly-owned subsidiary, Pinedale Energy Inc., which holds the oil and gas assets, pursuant to a Share Transfer and Assignment Agreement. Pursuant to the terms and conditions of the Share Transfer Agreement: (i) all of the issued and outstanding shares of 0970831 B.C. Ltd. were transferred to the purchasers; and (ii) all outstanding indebtedness of the Company owed to the purchasers, and all indebtedness owed to the Company by the Company's indirect wholly-owned subsidiary Pinedale Energy Inc., was assigned to and assumed by 0970831 B.C. Ltd. (*Notes 4, 5(a) and 6*)

The carrying values of the oil and gas assets were as follows:

Balance, December 31, 2018	\$11,693,786
Additions	31,815
Change in decommissioning liability	177,977
Depletion	(599,799)
Reporting currency translation adjustment	(547,900)
Balance, December 31, 2019	\$10,755,878
Additions	26,245
Depletion	(573,483)
Reporting currency translation adjustment	530,970
Balance, June 30, 2020	\$10,739,611
Disposition	(10,739,611)
Balance, September 30, 2020	\$ -

4. DECOMMISSIONING LIABILITY

The Company estimated the total undiscounted amount of cash flow required to settle its decommissioning obligation is approximately \$1,034,739 (2019 - \$986,146). The payments to settle this obligation are expected to occur from 2039 to 2065. (*Note 3*)

Balance, December 31, 2018	\$751,831
Accretion of discount	19,037
Change in estimate	177,977
Reporting currency translation adjustment	(36,190)
Balance, December 31, 2019	\$912,655
Accretion of discount	1,319
Reporting currency translation adjustment	44,970
Balance, June 30, 2020	\$958,944
Disposition	(958,944)
Balance, September 30, 2020	\$ -

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[Unaudited - Expressed in Canadian dollars]

5. PROMISSORY NOTE

- (a) On September 1, 2017, the Company executed a promissory note to secure a loan advance of \$4,000,000. The promissory note payable was secured against the assets of the Company, bears interest at a rate of 10% per annum which can be repaid at any time without penalty with a maturity date of September 1, 2021. During the period ended September 30, 2020, the Company made principal repayments of \$643,000 (2019 - \$500,000). In addition, the Company recognized \$72,639 and \$72,656 of interest expense and accretion, respectively. As at June 30, 2020, the Company had \$2,857,000 outstanding on the note. The note was assumed by the purchasers of the Company's subsidiaries at the time of disposition. (*Note 3*)
- (b) On September 16, 2020, the Company executed a promissory note of US\$75,000 to secure short-term financing for working capital purposes. The note is unsecured, interest free and is repayable on December 31, 2020.

6. LONG-TERM DEBT

On June 30, 2015, the Company's wholly owned subsidiary, Pinedale Energy Inc., entered into a US\$25 million revolving credit facility with CrossFirst Bank. The 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, 2020 the Collateral Borrowing Base was US\$6.0 million.

At June 30, 2020 the Company had a balance due of \$6,132,600 (US\$ 4,500,000) under its existing credit facility (December 31, 2019 - \$6,039,420). The liability remained with the Company's subsidiary when it was sold. (*Note 3*)

7. 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 September 30, 2020, there were 112,472,114 Class A shares outstanding and no Class B shares outstanding.

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7. SHARE CAPITAL (continued)

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.

In May 2020, the Company cancelled an aggregate of 1,314,064 incentive stock options which were granted in 2017 to certain directors, officers and consultants. Following the cancellation of the stock options there are no stock options issued and outstanding under the Company's 2017 stock option plan. No stock options were granted in 2019 or in the nine month period ended September 30, 2020.

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 \$5,694 during the period ended September 30, 2020 (September 30, 2019 – \$34,007).

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, 2020, the Company has a total of 10,999,999 warrants outstanding and exercisable for which the weighted average exercise price and the weighted average remaining life was \$0.30 and 1.79 years, respectively.

8. RELATED PARTY TRANSACTIONS

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

	September 30,	September 30,
	2020	2019
Interest on promissory notes	\$72,462	\$277,397
Consulting fees	\$60,000	\$108,000
Directors fees	\$11,483	\$9,000
Share based compensation	\$3,796	\$22,671

PINEDALE ENERGY LIMITED

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[Unaudited - Expressed in Canadian dollars]

8. RELATED PARTY TRANSACTIONS (continued)

The promissory note described in Note 5(a) is payable to two former directors of the Company. The promissory note payable is at agreed upon terms. During the period ended September 30, 2020, the Company paid \$72,462 (September 30, 2019: \$277,397) in interest on the promissory note.

During the period ended September 30, 2020, the Company paid \$36,000 (September 30, 2019: \$54,000) to an Executive officer/Director of the Company. During the same period, the Company paid \$24,000 in consulting fees to a different Executive officer of the Company (September 30, 2019: \$54,000).

As at September 30, 2020, accounts payable and accrued liabilities included \$12,058 (September 30, 2019: \$40,767) due to Directors of the Company.

9. CAPITAL MANAGEMENT

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

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

10. FINANCIAL INSTRUMENTS RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash. The carrying amounts of these assets included on the consolidated statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its cash with institutions of high creditworthiness.

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

PINEDALE ENERGY LIMITED

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

Credit risk (continued)

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. The Company currently operates in Canada and other than the promissory note referred to in Note 5(a), does not have any financial instruments or debts denominated in currencies other than the Canadian Dollar.

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.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to any interest rate risk as there is no interest bearing debt.

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[Unaudited - Expressed in Canadian dollars]

11. SEGMENT INFORMATION

The Company currently operates its business as a single operating and its assets and liabilities are in Canada.

The breakdown by geographic area as at December 31, 2019 for total assets and total liabilities, and as at June 30, 2019 for revenue is as follows:

	Canada	United States	Consolidated
Current assets	\$ 159,203	\$ 1,254,573	\$ 1,413,776
Non-current assets	-	10,755,878	\$ 10,755,878
Total assets	159,203	12,010,451	12,169,654
Total liabilities	\$ 3,304,614	\$ 8,033,153	\$ 11,337,767
Revenues	\$ -	\$ 3,170,923	\$ 3,170,923

12. SUBSEQUENT EVENT

On October 6, 2020 the Company announced that it had executed a definitive merger agreement with Flavocure Biotech, Inc. (“Flavocure”), and entered into an engagement letter (the “Engagement Letter”) with Leede Jones Gable Inc. in respect of a proposed offering by Pinedale of subscription receipts pursuant to which Pinedale will raise gross proceeds of up to \$3,000,000, subject to a minimum offering of \$1,500,000.

Further to the letter of intent entered into on May 19, 2020, the Corporation has entered into a binding merger agreement (the “Merger Agreement”) with Flavocure and Pinedale USA Inc. (“Pinedale Sub”) a wholly-owned subsidiary of the Company, in respect of a statutory merger under the Delaware General Corporation Law (the “Proposed Transaction”). Upon completion of the Proposed Transaction, the resulting company (the “Resulting Issuer”) will continue to carry on the business of Flavocure, is expected to change its name to “Flavocure Biotech, Inc.” and is expected to remain listed on the TSX Venture Exchange (the “Exchange”).

Pursuant to the Merger Agreement, Pinedale is required to implement a 10:1 consolidation of its outstanding Common Shares. Thereafter, Flavocure will merge with Pinedale Sub, and the shareholders of Flavocure will receive post-consolidation Common Shares of the Resulting Issuer based upon the exchange ratio, which is 65 post-consolidation Common Shares for each share of common stock of Flavocure. Certain convertible notes issued by Flavocure will be automatically converted into Flavocure common stock in connection with the Proposed Transaction. The board of directors and officers of the Resulting Issuer will be changed to appoint nominees determined by Flavocure.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions that are customary for a transaction of this nature, including but not limited to, the approval by the shareholders of Flavocure, and the receipt of all requisite regulatory, stock exchange, or governmental authorizations and consents, including the TSX-V.