

FILING STATEMENT

IN RESPECT OF

THE REVERSE TAKE-OVER TRANSACTION BETWEEN

PINEDALE ENERGY LIMITED

AND

FLAVOCURE BIOTECH, INC.

DATED MAY 16, 2021

Neither the TSX Venture Exchange Inc. nor any other securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this filing statement.

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GLOSSARY

Unless otherwise indicated, whenever used in this Filing Statement, the following words and terms have the indicated meanings or, if not defined herein, have the meanings set out in Policy 1.1 - *Interpretation* of the TSXV. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All dollar amounts are in Canadian dollars, unless otherwise stated.

“Affiliate” means a company is an “Affiliate” of another company if: (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person, all as determined in accordance with the regulations of the Exchange. A Company is “controlled” by a Person if: (a) voting securities of that Company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of that Company. A Person beneficially owns securities that are beneficially owned by: (a) a Company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“Agency Agreement” means the agency agreement between Pinedale and the agent pursuant to the Brokered Private Placement.

“Agent” means Leede Jones Gable Inc. acting as agent in connection with the Brokered Private Placement.

“Agent Option” means the compensation option to purchase Pinedale Shares issued to the Agent pursuant to the Private Placement in accordance with the terms of the Engagement Letter and Agency Agreement, equating to 7% of the number of Subscription Receipts sold under the Brokered Private Placement exercisable at CDN\$0.40 to be exercised within twenty-four months from the date of issuance. The Agent Option will be issued to the Agent on the date that the Private Placement proceeds are released from escrow.

“Amended Merger Agreement” means the amended Merger Agreement between the Pinedale, Pinedale Subco and Flavocure effective January 31, 2021.

“Arm’s Length Transaction” means a transaction which is not a Related Party Transaction.

“Audit Committee” means the audit committee of the Resulting Issuer Board, as further described under “*Audit Committee*”.

“Board Mandate” means has the meaning ascribed thereto under “*Resulting Issuer Board Mandate*”.

“Brokered Private Placement” means the brokered portion of the Private Placement of Subscription Receipts at a price of CDN\$0.40 per Subscription Receipt, such Subscription Receipts being issued in accordance with the terms and conditions set forth in the Brokered Subscription Receipt Agreement.

“Brokered Subscription Receipt Agreement” means the subscription receipt agreements to be entered into between the Issuer, the Subscription Receipt Agent and Leede, governing the terms and conditions of the Subscription Receipts in connection with the Brokered Private Placement.

“Change of Control” includes situations where after giving effect to the contemplated transaction and as a result of such transaction: (a) any one Person holds a sufficient number of the voting shares of the Issuer or Resulting Issuer to affect materially the control of the issuer or Resulting Issuer, or (b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding hold in total a sufficient number of the voting shares of the issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer; where such Person or combination of Persons did not previously hold a sufficient number of voting shares to affect materially the control of the Issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold more than 20% of the voting shares of the Issuer or Resulting Issuer is deemed to materially affect the control of the Issuer or Resulting Issuer.

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Completion Date**” means the date of the Final Exchange Bulletin.

“**Control Person**” means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“**Consolidation**” means the consolidation of Pinedale Shares and Pinedale Warrants to be effective prior to the Merger on the basis of one (1) post-consolidation Pinedale Share for every ten (10) outstanding Pinedale Shares existing immediately before the consolidation.

“**DGCL**” means the General Corporation Law of the State of Delaware, as amended.

“**Effective Time**” means the time the Merger becomes effective upon the filing of the Certificate of Merger.

“**Existing Flavocure Warrants**” means the 75,000 currently outstanding warrants to purchase Flavocure Shares exercisable at a price of USD\$20 per Flavocure Share.

“**Final Exchange Bulletin**” means the bulletin issued by the Exchange following closing of the RTO and the submission of all Post-Approval Documents which evidences the final Exchange acceptance of the RTO.

“**Flavocure**” means Flavocure Biotech, Inc.

“**Flavocure Board**” means the board of directors of Flavocure.

“**Flavocure Debentures**” means the 2,940 convertible debentures in the principal amount of USD \$2,940,000 and issued at a subscription price of USD \$1,000 per Flavocure Debenture. Each such debenture bearing simple interest at a rate of 12% per annum and mature on the date that is one (1) year from the date of issuance. The outstanding principal and accrued interest owing thereunder any such Flavocure Debenture shall be automatically converted into units in the capital of the Flavocure at the Liquidity Event Price in accordance with the terms thereof with each such unit consisting of one Flavocure Share and one Flavocure Warrant.

“**Flavocure Options**” means the 87,000 currently outstanding options to purchase Flavocure Shares exercisable at a price of USD\$20 per Flavocure Share.

“**Flavocure Shareholder**” means a holder of at least one issued and outstanding Flavocure common share.

“**Flavocure Shares**” means the issued and outstanding common shares of Flavocure.

“**Flavocure Warrant**” means a share purchase warrant exercisable to acquire a Flavocure Share at a price of USD \$25 pursuant to the Flavocure Debentures.

“**IFRS**” means International Financial Reporting Standards.

“**Insider**” if used in relation to an issuer, means: (a) a director or senior officer of the issuer; (b) director or senior officer that is an insider or subsidiary of the issuer; (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or (d) the Issuer itself if it holds any of its own securities.

“**Liquidity Event Price**” USD\$25 per unit.

“**Merger**” means the transactions contemplated by the Merger Agreement.

“**Merger**” means Pinedale Subco following the Merger, which shall be the surviving corporation of the Merger.

“**Merger Agreement**” means the Merger Agreement between the Pinedale, Pinedale Subco and Flavocure dated October 6, 2020, and as amended effective January 31, 2021.

“**named executive officers**” or “**NEOs**” has the meaning ascribed thereto under “*Part II - The Information Concerning the Issuer - Executive Compensation*”.

“**NI 41-101**” means National Instrument 41-101 - *General Prospectus Requirements* of the Canadian Securities Administrators, as amended from time to time.

“**NI 52-110**” means National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators, as amended from time to time.

“**NI 58-101**” means National Instrument 58-101 - *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators, as amended from time to time.

“**Non Arm’s Length Party**” means in relation to a Company, a Promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a Promoter, officer, director, Insider or Control Person.

“**Non-Brokered Private Placement**” means the non-brokered portion of the Private Placement of Subscription Receipts at a price of CDN\$0.40 per Subscription Receipt, such Subscription Receipts being issued in accordance with the terms and conditions set forth in the Non-Brokered Subscription Receipt Agreement.

“**Non-Brokered Subscription Receipt Agreement**” means the subscription receipt agreements to be entered into between the Issuer and the Subscription Receipt Agent governing the terms and conditions of the Subscription Receipts in connection with the Non-Brokered Private Placement.

“**Person**” means a Company or individual.

“**Pinedale**” or the “**Issuer**” means Pinedale Energy Limited.

“**Pinedale Board**” means the board of directors of Pinedale Energy Limited.

“**Pinedale Options**” means options to purchase Pinedale Shares.

“**Pinedale Promissory Note**” means the promissory note dated September 16, 2020 between Pinedale and Flavocure in the amount of USD\$75,000, with an amended repayment date of June 30, 2021.

“**Pinedale Stock Option Plan**” the current stock option plan of Pinedale and in substantially in the form appended as Exhibit "I" to this Filing Statement.

“**Pinedale Shareholder**” means a holder of at least one issued and outstanding Pinedale common share.

“**Pinedale Shares**” means the issued and outstanding Class A common shares of Pinedale.

“**Pinedale Subco**” means Pinedale USA Inc., a wholly-owned subsidiary of Pinedale.

“**Pinedale Warrants**” means the 10,999,999 currently outstanding warrants to purchase Pinedale Shares.

“**Post-Approval Documents**” mean the documents prescribed as such in TSXV Corporate Finance Policy 5.2 – *Changes of Business and Reverse Takeovers*.

“Post-Consolidation Pinedale Share” means the common shares that Pinedale will be authorized to issue after giving effect to the Consolidation.

“Post-Consolidation Pinedale Warrants” means the Pinedale Warrants, after giving effect to the Consolidation.

“Private Placement” means a brokered and non-brokered private placement of 9,500,000 Subscription Receipts at a price of CDN\$0.40 per Subscription Receipt for gross proceeds of CDN \$3,800,000, such Subscription Receipts being issued in accordance with the terms and conditions set forth in the Brokered Subscription Receipt Agreement and Non-Brokered Subscription Receipt Agreement, respectively. Each Subscription Receipt will automatically be exchanged for Pinedale Shares, for no additional consideration on satisfaction of certain escrow Release Conditions.

“Promoter” has the meaning attributable to such term as provided in the *British Columbia Securities Act*, R.S.B.C. 1996, c. 418.

“Release Conditions” means, pursuant to the Subscription Receipt Agreements:

- a) the completion, satisfaction or waiver of all conditions precedent to the Transaction;
- b) the receipt of all securityholder and regulatory approvals required for the Transaction;
- c) written confirmation from each of Pinedale and Flavocure that all conditions of the Transaction have been satisfied or waived, other than release of the escrowed funds, and that the Transaction shall be completed forthwith upon release of the escrowed funds;
- d) the distribution of the Common Share underlying the Subscription Receipts and the Resulting Issuer Shares to be issued in exchange for the Common Share pursuant to the Transaction being exempt from applicable prospectus and registration requirements of applicable securities laws; and
- e) the Resulting Issuer Shares being conditionally approved for listing on the TSXV and the completion, satisfaction or waiver of all conditions precedent to such listing other than the release of the escrowed funds.

“Resulting Issuer” means the issuer existing on the Completion Date.

“Resulting Issuer Board” means the board of directors of the Resulting Issuer.

“Resulting Issuer Options” means options to purchase Resulting Issuer Shares.

“Resulting Issuer Shares” means the common shares of the Resulting Issuer to be listed under the trading symbol “FLA” following the completion of the Transaction.

“Resulting Issuer Warrants” means warrants to purchase Resulting Issuer Shares.

“Reverse Takeover” or **“RTO”** means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in: (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer, and (b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group, but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSXV or another senior exchange under a formal takeover bid made pursuant to securities laws. A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization. Any securities issued pursuant to a private placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

“Second Amended Merger Agreement” means the second amended Merger Agreement between the Pinedale, Pinedale Subco and Flavocure effective April 1, 2021.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval, available at www.sedar.com.

“**Subscription Agreement**” means a subscription agreement among Pinedale and subscribers to Subscription Receipts to be entered into in connection with the Private Placement.

“**Subscription Receipts**” means the subscription receipts issued under the Private Placement and pursuant to the terms of the Subscription Receipt Agreements for a purchase price of \$0.40 per subscription receipt, each such Subscription Receipt being automatically converted into one post-consolidated Pinedale Share immediately prior to the Effective Time; provided that in the event that the Escrow Release Conditions have not been satisfied by the Escrow Release Deadline as set out in the Subscription Receipt Agreements, each of the then issued and outstanding Subscription Receipts shall be cancelled.

“**Subscription Receipt Agent**” means Computershare Trust Company of Canada.

“**Subscription Receipt Agreements**” means collectively, the Brokered Subscription Receipt Agreement and Non-Brokered Subscription Receipt Agreement.

“**Transaction**” means the Merger and all transactions ancillary thereto that will result in the reverse-takeover of Pinedale by Flavocure as contemplated by the Merger Agreement.

“**TSXV**” or the “**Exchange**” means TSX Venture Exchange.

“**United States**” has the meaning ascribed thereto in Regulation S under the U.S. Securities Act.

“**U.S. Securities Act**” means the United States *Securities Act of 1933*, as amended.

“**SSRRs**” means Seed Share Resale Restrictions as defined in Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*.

“**Surplus Escrow Agreement**” means the surplus escrow agreement of the Exchange to be entered into, pursuant to TSXV rules, on or before the effective date of the Merger, which shall be the date of the Certificate of Merger between certain principals of the Resulting Issuer and the TSXV which will provide that the Resulting Issuer Shares be issued to such principals may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the prior consent of the TSXV.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Filing Statement contains forward-looking statements that relate to the current expectations and views of future events of Pinedale, Flavocure and the Resulting Issuer. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “is positioned”, “estimates”, “intends”, “assumes”, “anticipates” or “does not anticipate” or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, predictions, indications, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events.

Forward-looking statements relating to Pinedale, Flavocure, and the Resulting Issuer include, among other things, statements relating to:

- the size, completion, expenses and timing of the closing of the Transaction;
- expectations regarding industry trends, overall market growth rates, Pinedale, Flavocure or the Resulting Issuer’s future growth rates, plans and strategies;
- projections of operational costs;
- the anticipated closing date of the Transaction;
- future financial or operating performance and condition of Pinedale, Flavocure or the Resulting Issuer’s, including its ability to continue as a going concern, and its business, operations and properties;
- the intended use of the net proceeds of any financing transactions;
- the adequacy of Pinedale, Flavocure or the Resulting Issuer’s financial resources;
- the additional regulatory burden resulting from Flavocure’s public listing on the TSXV;
- the anticipated closing date of the Private Placement;
- timing, receipt and maintenance of approvals, consents and permits under applicable legislation;
- environmental, permitting, legal, taxation, title, socio-economic, community relations, drug regulation or political issues that may adversely affect Pinedale, Flavocure or the Resulting Issuer’s current and anticipated operations;
- Flavocure or the Resulting Issuer’s adoption of certain corporate governance practices;
- Flavocure or the Resulting Issuer’s expectation that it will be able to continue to locate and retain employees and consultants with required skills and knowledge;
- Flavocure or the Resulting Issuer’s (including the persons expected to oversee, coordinate and participate in such plans), business model, strategic objectives and growth strategy;
- initial and subsequent indications for Flavocure or the Resulting Issuer’s products and the prevalence of such indications;
- Flavocure or the Resulting Issuer’s pre-clinical and clinical development plans/trials, including the expected timing, location and duration thereof;

- Flavocure or the Resulting Issuer's drug and product development pipeline, potential, market/profile and size;
- licensing, co-development and partnership plans and objectives;
- Flavocure or the Resulting Issuer's intellectual property;
- The Closing Assignment Agreement, including the timing thereof;
- Flavocure or the Resulting Issuer's current and future capital requirements and the need for additional financing;
- Flavocure or the Resulting Issuer's expectations regarding net losses and revenue generation;
- Flavocure or the Resulting Issuer's expectations regarding increases in research and development costs and general and administrative expenses;
- escrow requirements;
- the committees of the Resulting Issuer's Board and Management and the members thereof;
- the Resulting Issuer's corporate governance policies and objectives;
- the Resulting Issuer's executive compensation plans and objectives;
- Flavocure or the Resulting Issuer's future research and development plans proceeding substantially as currently envisioned;
- Flavocure or the Resulting Issuer's expected research and development tax credits (if any);
- future expenditures to be incurred by Flavocure or the Resulting Issuer;
- research and development and operating costs;
- Flavocure or the Resulting Issuer's ability to find partners in the biotech and pharmaceutical industry; and
- the impact of competition on the Flavocure or the Resulting Issuer.

Because the factors discussed in this Filing Statement could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made, readers should not place undue reliance on any such forward-looking statements. These statements are subject to risks and uncertainties, known and unknown, which could cause actual results and developments to differ materially from those expressed or implied in such statements. These statements and other forward-looking information are based on opinions, assumptions and estimates made by Pinedale and Flavocure in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Pinedale and Flavocure believes are appropriate and reasonable in the circumstances, as of the date of this filing statement. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this Filing Statement. Accordingly, prospective investors are cautioned not to place undue reliance on such information. Although each of Pinedale and Flavocure believe that the assumptions underlying the statements related to Pinedale and Flavocure, respectively, are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by Pinedale and Flavocure as of the date such statements are made, are subject to known and

unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the following factors: the Flavocure's history of operating losses; Flavocure or the Resulting Issuer's ability to obtain additional capital in the future to conduct operations, research and development activities and develop its products; the availability of tax credits; Flavocure or the Resulting Issuer's ability to find partners in the pharmaceutical and biomedical industry; Flavocure or the Resulting Issuer's ability to license its products on acceptable terms and conditions; Flavocure and the Resulting Issuer's ability to compete against other companies and research institutions with greater financial and other resources; Flavocure and the Resulting Issuer's ability to secure adequate protection for its intellectual property; Flavocure or the Resulting Issuer's ability (or the ability of their partners) to obtain regulatory approvals for Flavocure or the Resulting Issuer's products; Flavocure or the Resulting Issuer's ability to attract and retain key personnel; a number of conditions precedent must be satisfied for the Transaction to proceed; the Transaction may not be completed; future requirements for and the ability to access additional capital; governmental regulations, particularly those applicable to pharmaceutical and industry; a dependence on ability to attract and retain qualified management; risks inherent in acquisitions; limitations of insurance and uninsured risks; competition; legal proceedings and the enforceability of judgments; conflicts of interest; market events and general economic conditions globally; volatility in the price of the Resulting Issuer Shares; absence of a market for the Resulting Issuer Shares; the potential for additional dilution; fluctuations in foreign currency exchange rates; risks associated with becoming a public company including financial reporting and other public company requirements; currency exchange rate risks; payment of dividends; failure to realize the growth strategy; failure to complete or realize the benefits of anticipated transactions; the fact that certain events are outside the control of the Resulting Issuer; health and safety regulations; the use of available funds by the Resulting Issuer could differ from the uses presented in this Filing Statement; and the publication of unfavourable research or reports, each of which could impact the price of the Resulting Issuer Shares. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect Flavocure and the Resulting Issuer. Although Pinedale and Flavocure have attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking information, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended. See "*Part I - Risk Factors*" for a discussion of certain factors investors should carefully consider.

The forward looking statements made in this Filing Statement relate only to events or information as of the date on which the statements are made in this Filing Statement. Pinedale and Flavocure undertake no obligation to update or revise publicly any forward looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events except as required by law. An investor should read this Filing Statement with the understanding that the actual future results of Pinedale, Flavocure and the Resulting Issuer may be materially different from what is expected.

All of the forward-looking information in this Filing Statement is expressly qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this Filing Statement. Pinedale and Flavocure expressly disclaim any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. Investors should read this entire Filing Statement and consult their own professional advisors to assess the income tax consequences, risk factors and other aspects connected to the Transaction.

INFORMATION PERTAINING TO FLAVOCURE

The information contained or referred to in this Filing Statement with respect to Flavocure and its industry has been provided by the management of Flavocure and is the responsibility of Flavocure. Management of Pinedale has relied upon Flavocure for the accuracy of the information provided by Flavocure without independent verification.

NOTICE TO INVESTORS

Date of Information

Unless otherwise stated, the information contained in this Filing Statement is given as of May 16, 2021.

Reporting Currencies and Exchange Rate Information

All dollar amounts set forth in this Filing Statement are in Canadian dollars, except where otherwise indicated. In this Filing Statement, references to “\$” or “dollars” are to Canadian dollars.

Market Data

Unless otherwise indicated, market data and industry forecasts contained in this Filing Statement have been obtained from publicly available sources (including industry publications, surveys and forecasts), and the good faith estimates of management of Pinedale and Flavocure, respectively. Unless otherwise indicated, Pinedale and Flavocure estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from their internal research, and are based on assumptions made by Pinedale and Flavocure based on such data and its knowledge of the industry and markets, which Pinedale and Flavocure believes to be reasonable. The internal research of Management has not been independently verified by any independent source. While Pinedale and Flavocure believes the market position, market opportunity and market share information included in this Filing Statement is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the future performance of Pinedale, Flavocure and the Resulting Issuer and their respective future performance is necessarily subject to a high degree of uncertainty and risk due to a variety of factors. See “*Cautionary Note Regarding Forward-Looking Information*” and *Part I - Risk Factors*.

IFRS Measures

The financial statements and pro forma financial statements included in this Filing Statement have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board.

Non-IFRS Financial Measures

In order to supplement their respective financial statements, Pinedale, Flavocure and the Resulting Issuer may use select non-IFRS measures. Pinedale, Flavocure and the Resulting Issuer have not included non-IFRS measures in this Filing Statement. Non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to any similar measures presented by other companies.

SUMMARY OF THE FILING STATEMENT

The following is a summary of certain information relating to Pinedale, Flavocure and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

Capitalized terms not otherwise defined in this “Summary of the Filing Statement” section are defined in the Glossary or elsewhere in the Filing Statement. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.

The Companies

Pinedale Energy Limited

Pinedale was incorporated under the *Business Corporations Act* (British Columbia) (“**BCBCA**”) on December 17, 2007 and its shares are listed for trading on the TSXV under the stock symbol “MCF”. The address of the Pinedale’s registered office is 3400, 350 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

Pinedale currently has no active business activities. Pinedale was 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. Pinedale had a wholly owned Canadian subsidiary, 0970831 B.C. Ltd. (“**0970831**”) as well as a US subsidiary, Pinedale Energy Inc. Pinedale formerly owned 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 Pinedale Properties were comprised of oil and gas leases totalling 11,994 gross acres (1,680 net acres). On May 20, 2020 Pinedale entered into a share transfer and assignment agreement (the “**Share Transfer Agreement**”) among 0970831, Brad Windt and Don Sharpe, in which Pinedale’s existing oil and gas assets were divested (the “**Asset Disposition Transaction**”).

Pinedale Subco

Pinedale Subco is a private company incorporated under the laws of Delaware on November 12, 2020. Pinedale Subco is a wholly-owned subsidiary of Pinedale and was incorporated for the purposes of completing the Transaction.

Flavocure Biotech, Inc.

Flavocure is a private company incorporated under the laws of Delaware. The address of the Flavocure’s registered office is at 701 East Pratt Street Baltimore, MD 21202, U.S.A. Flavocure’s operations are based in Baltimore, Maryland. Flavocure aims to be a leader in the transformation of natural products into substances providing cures for certain cancers. Flavocure is primarily involved in the discovery, development and commercialization of novel therapeutics used in the treatment of cancer and the treatment of cancer indications. Flavocure has focused on the identification of flavonoid phytochemical properties of plants. In collaboration with certain prestigious research institutions, Flavocure has made scientific breakthroughs in developing flavonoid molecules that demonstrate activity against therapeutically validated kinase mutation targets (i.e. cancer causing cellular mutations). This led to Flavocure’s success in obtaining United States Food and Drug Administration (“**FDA**”) ‘Orphan Drug’ designation for cresorol (“**Cresorol**”) and caflanone (“**Caflanone**”), which have been designated for the treatment of acute myeloid leukemia and pancreatic cancer, respectively. Flavocure was recently issued a United States patent for the treatment of pancreatic cancer with its lead drug, Caflanone.

Caflanone, Flavocure’s flagship drug, has been derived from an endemic strain of cannabis sativa found in Jamaica. Professor Henry Lowe, Adjunct Professor, University of Maryland Medical School and University of the West Indies Medical School, discovered this rare form of flavonoid rich phytomedicinal material. The Flavocure research team developed a proprietary synthesis of the bioactive material, which is now available in commercial quantities for use in human clinical studies. The drug delivery payload has been designed to utilize a nano-drone delivery technology developed by Harvard Medical School which can be delivered using existing FDA approved clinical protocols. The drug, in preclinical studies, exhibited positive results in difficult to treat animal models of pancreatic cancer

contributing to clinical optimism in the medical and research community; and, a high level of interest from the patient community. Flavocure plans to enter clinical trials for Caflanone in following completion of the Investigational New Drug (“IND”) enabling studies and submission to the FDA for approval.

The Transaction

The Merger

On October 6, 2020, Pinedale, Pinedale Subco and Flavocure entered the Merger Agreement setting out the principal terms for the Merger and upon which Flavocure will merge with Pinedale Subco, a wholly-owned subsidiary of Pinedale, in exchange for all of the issued and outstanding Pinedale Shares, thereby effecting the Transaction.

The purpose of the Merger Agreement is to effect a business combination of Pinedale and Flavocure. If all other conditions precedent to the Merger Agreement are satisfied or waived, the Merger Agreement will be implemented whereby Flavocure will merge with Pinedale Subco, a wholly-owned subsidiary of Pinedale, in exchange for all of the issued and outstanding Pinedale Shares, thereby effecting the Transaction.

As a result of the Merger, Flavocure will effectively acquire Pinedale through the issuance of 73,381,876 Resulting Issuer Shares at a deemed price of CDN\$0.40 per Flavocure Share.

Effective on October 6, 2020, Pinedale, Pinedale Subco and Flavocure entered the Merger Agreement pursuant to which the parties, among other things, amended the terms of the Private Placement to incorporate the Non-Brokered Private Placement. The Merger Agreement was amended effective January 31, 2021 and April 1, 2021 pursuant to which the parties, among other things, extending the date the Merger Agreement may be terminated in the event that the Transaction has not occurred from to June 30, 2021.

Private Placement

In connection with the Transaction, Pinedale has agreed to conduct the Private Placement to raise CDN\$3,800,000 and consisting of the sale of 9,500,000 Subscription Receipts. The Private Placement will include a brokered offering and non-brokered offering of Subscription Receipts at a price of CDN\$0.40 per Subscription Receipt, such Subscription Receipts being issued in accordance with the terms and conditions set forth in the Brokered Subscription Receipt Agreement and Non-Brokered Subscription Receipt Agreement, respectively, to be completed prior to the Effective Date. The net proceeds of which will be placed in escrow and released, and the Subscription Receipts will automatically be exchanged for Pinedale Shares for no additional consideration, on satisfaction of certain escrow Release Conditions contained in the applicable Subscription Receipt Agreements. The exchange of the Subscription Receipts issued under the Private Placement is subject to, and will occur concurrently with, the completion of the Transaction.

Actions to be Taken Prior to Merger

Pursuant to the terms of the Merger Agreement, prior to the Effective Time, each of the following events shall occur and shall be deemed to occur sequentially as set out below, with the last event being effective immediately prior to the Effective Time:

- (a) issued and outstanding Subscription Receipts shall have been exchanged for Pinedale Shares in accordance with their terms and the Escrowed Proceeds shall have been released from escrow;
- (b) the issued and outstanding Flavocure Debentures will automatically be converted in accordance with the terms thereof into Flavocure Shares and Flavocure Warrants;
- (c) each issued and outstanding Pinedale Share acquired pursuant to (a) will be effected on a post-Consolidation basis; and
- (d) Prior to or concurrently with the completion of the Transaction, Pinedale will change its name to “Flavocure Biotech, Inc.” and will consolidate all Pinedale securities on a 10:1 basis (the “**Consolidation**”).

Effects of the Merger

Pursuant to the terms of the Merger Agreement, at the Effective Time, (a) all the rights, privileges, immunities, objects and purposes of Flavocure and Pinedale Subco shall vest in Mergeco, (b) all of the property, real and personal, including causes of action and every other asset of Flavocure and Pinedale Subco shall vest in Mergeco without further act or deed, and (c) all debts, liabilities and obligations of Flavocure and Pinedale Subco shall become the debts, liabilities and obligations of Mergeco.

For greater certainty, at the Effective Time, by virtue of the Merger and without any action to be taken on the part of the holder of Flavocure Shares or common shares of Pinedale Subco, or on the part of the Flavocure, Pinedale, Pinedale Subco or any other person, the following shall occur:

- (a) The Flavocure Shares (including those issued pursuant to the conversion of the Flavocure Debentures), but excluding Flavocure Shares held by Pinedale Subco, outstanding immediately prior to the Effective Time shall be cancelled and former Flavocure Shareholders shall receive sixty-five (65) fully paid and non-assessable Resulting Issuer Shares for every one (1) Flavocure Share held (the “**Exchange Ratio**”) held immediately prior to the Merger. Resulting Issuer Shares will be issued to holders of Flavocure Shares at a deemed price of CDN \$0.40 per share, and the merged company (“**Mergeco**”) will be a wholly-owned subsidiary of Pinedale.
- (b) Each Flavocure Option outstanding immediately prior to the Effective Time shall be cancelled and, the former holder of such Flavocure Option shall receive such number of Resulting Issuer Options in accordance with the Exchange Ratio for every one (1) Flavocure Option held immediately prior to the Merger;
- (c) Each outstanding Existing Flavocure Warrant and Flavocure Warrant will be cancelled and exchanged for such number of Resulting Issuer Warrants on the following basis in accordance with the Exchange Ratio for every one (1) Existing Flavocure Warrant or Flavocure Warrant held immediately prior to the Merger;
- (d) Each Flavocure Share held by Pinedale Subco as at the Effective Time shall be cancelled without any repayment of capital with respect thereof;
- (e) Each issued and outstanding share in the capital of Pinedale Subco immediately prior to the Effective Time shall continue to be a validly issued, fully paid and non-assessable share of capital stock of Mergeco immediately following the Effective Time;
- (f) as consideration for the issuance by the Resulting Issuer of Resulting Issuer Shares pursuant hereto, Mergeco will issue to Pinedale such number of fully paid and non-assessable shares of common stock, par value US\$0.001 per share, as Mergeco reasonably determines has an aggregate fair market value equal to the aggregate fair market value of the Resulting Issuer Shares issued pursuant to (a), above;
- (g) as consideration for the issuance by the Resulting Issuer of Resulting Issuer Options and Resulting Issuer Warrants, Mergeco will issue one validly issued, fully paid and non-assessable share of common stock, par value US\$0.001 per share, to Pinedale for each such issued Resulting Issuer Option and Resulting Issuer Warrant pursuant to (b) and (c), above; and
- (h) the fully paid and non-assessable shares of common stock, par value US\$0.001 per share, of Mergeco shall constitute the only outstanding shares of capital stock of Mergeco.

Following the Effective Time:

- (a) The Resulting Issuer will carry on the business theretofore carried on by Flavocure;
- (b) The first directors of the Resulting Issuer are expected to be Clark Swanson, Dr. Philip Fagan, Dr. Henry Lowe, Dr. Ngeh Toyang and Chris Wolfenberg and the first officers shall be Dr. Ngeh Toyang, Chief Executive Officer, Anthony Deasey, Chief Financial Officer and Corporate Secretary, Dr. Henry Lowe, Executive Chairman and Clark Swanson, Executive Vice Chairman;

- (c) Assuming there are no Dissenting Shares and upon completion of the Private Placement, there will be approximately 94,129,087 Resulting Issuer Shares issued and outstanding on the Effective Date (and 114,805,962 Resulting Issuer Shares on a fully diluted basis). See "*Fully Diluted Share Capital*":
- a. the former Flavocure Shareholders will hold, in the aggregate, 73,381,876 Resulting Issuer Shares, representing approximately 77.96% of the outstanding Resulting Issuer Shares.
 - b. Investors in the Private Placement, including, in the aggregate, 9,500,000 Resulting Issuer Shares representing approximately 10.09% of the outstanding Resulting Issuer Shares; and
 - c. Pinedale Shareholders will hold, in the aggregate, 11,247,211 Resulting Issuer Shares, representing approximately 11.95% of the outstanding Resulting Issuer Share.

For more detailed information, see "*The Proposed Transaction - The Merger*", "*The Proposed Transaction - The Merger Agreement*", "*Information Concerning the Resulting Issuer*" the full text of the Merger Agreement filed on SEDAR at www.sedar.com. The summaries of the Merger Agreement contained in this Filing Statement are qualified in its entirety by reference to the full version of the Merger Agreement.

The respective obligations of Pinedale, Pinedale Subco and Flavocure to complete the Merger are subject to a number of conditions which must be satisfied or waived in order for the Merger to become effective. See "*The Merger Agreement*".

The Merger does not change any of the assets, properties, rights, liabilities, obligations, business or operations of any of Flavocure, Pinedale or Pinedale Subco on a consolidated basis.

Effect on Resulting Issuer Shares held by Principals upon completion of the Merger

Resulting Issuer Shares held by principals of the Resulting Issuer shall, upon the completion of the Merger, be required to comply with the TSXV rules relating to escrow and, as a result, will be required to enter into the Value/Surplus Escrow Agreement. See "*Information Concerning the Resulting Issuer - Escrowed Securities*".

The Transaction constitutes an arm's length RTO of Pinedale within the meaning of Policy 5.2 – *Changes of Business and Reverse Takeovers* and is subject to a number of conditions precedent, including the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the Exchange. Pursuant to the Transaction, Pinedale and Flavocure will combine their business operations. Set forth below is a summary of the business currently carried on by each of Pinedale and Flavocure and proposed to be carried on by the Resulting Issuer following the Transaction.

Flavocure Appraisal Rights

Flavocure Shares that are issued and outstanding immediately prior to the Effective Time and that are held by Flavocure Shareholders who have not voted in favor of the adoption of the Merger or consented thereto in writing and who have properly exercised appraisal rights with respect thereto in accordance with, and who have otherwise complied with, DGCL Section 262 (each such share, a "**Dissenting Share**") will not be converted into the right to receive Resulting Issuer Shares, and holders of such Dissenting Shares will only be entitled to receive payment of the appraised value of such shares in accordance with the provisions of DGCL. See "*The Merger Agreement - Flavocure Appraisal Rights*".

Bridge Financing Lending Arrangement

Flavocure has advanced USD\$75,000 to Pinedale pursuant to the Pinedale Promissory Note, issued without interest payable on the unpaid principal, beginning on September 18, 2020 and to be repaid in full before or on December 31, 2020. The Pinedale Promissory Note was extended until June 30, 2021.

Selected Pro Forma Financial Information

The following sets out selected pro forma financial information of the Resulting Issuer. This table should be read in conjunction with the unaudited pro forma consolidated balance sheet of the Resulting Issuer included in this Filing Statement as Exhibit “E”, in Canadian dollars.

	Pro Forma Balance Sheet (\$)
Cash	4,330,483
Current Assets	4,422,672
Total Assets	5,101,738
Current Liabilities	2,121,308
Total Liabilities	2,121,308
Shareholders' Equity	2,980,430

Available Funds and Principal Purposes

On a pro forma basis, the estimated funds available to the Resulting Issuer after deducting the expenses of the Transaction and taking into effect both the Private Placement, would be approximately CDN \$4,330,483, and the pro forma combined working capital of the Resulting Issuer would be approximately CDN \$2,273,689. The principal purpose of those funds will be used to advance Flavocure’s current products through clinical trials and commercialization, new product development, expenses incurred under the Transaction and general working capital purposes. Further, based on current projections, the Resulting Issuer’s working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 12 months commencing immediately after the completion of the Transaction. Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to affect the activities of the Resulting Issuer. For these reasons, management of Pinedale considers it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises.

The above uses of available funds should be considered estimates. Please see the discussion under “CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION”.

For additional information, please see the discussion under the heading “PART V - INFORMATION CONCERNING THE RESULTING ISSUER – Available Funds and Principal Purposes”.

Interests of Insiders, Promoters or Control Persons

Upon completion of the Transaction, it is expected that the management of the Resulting Issuer will consist of Dr. Ngeh Toyang (Chief Executive Officer), Anthony Deasey (Chief Financial Officer), Dr. Henry Lowe (Executive Chairman), and Clark L. Swanson (Executive Vice Chairman). It is further expected that the Resulting Issuer Board will consist of Dr. Ngeh Toyang, Dr. Henry Lowe, Dr. Philip J. Fagan, Clark L. Swanson and Chris Wolfenberg. All directors and officers of Pinedale will resign at the closing of the Transaction. It is not anticipated that any Promoters will be involved with the Transaction.

The ownership (directly or indirectly) by Insiders, Promoters and Control Persons of the Resulting Issuer with respect to Pinedale Shares is now, and the ownership (directly or indirectly) by Insiders, Promoters and Control Persons of the Resulting Issuer with respect to Resulting Issuer Shares, is anticipated to be, in each case on a fully-diluted basis, as follows:

Insider, Promoter or Control Person ⁽¹⁾	Pinedale Shares		Resulting Issuer Shares (After Giving Effect to the Transaction and the Private Placement)	
	Number	Approx. Percentage	Number	Percentage
Dr. Henry Lowe	Nil	Nil	33,068,750 ⁽²⁾	35.49%
Dr. Ngh Toyang	Nil	Nil	10,521,875	11.29%
Anthony Deasey	Nil	Nil	Nil	Nil
Dr. Philip J. Fagan	Nil	Nil	Nil	Nil
Clark L. Swanson	Nil	Nil	10,521,875	11.29%
Chris Wolfenberg	Nil	Nil	Nil	Nil

Notes:

- (1) Please see “*Directors and Executive Officers*” below for a description of principal occupations within the five years preceding the date of this Filing Statement.
- (2) Includes the shares held directly (30,663,750 Resulting Issuer Shares) and indirectly by his spouse (2,405,000 Resulting Issuer Shares).

Arm’s Length Transaction

The Transaction is not a Non Arm’s Length Transaction in accordance with the policies of the TSXV.

Details Respecting Exchange Listings

Pinedale’s Shares are listed for trading on TSXV under the symbol “MCF”. Flavocure Shares are currently not listed on any stock exchange and there is currently no public market for Flavocure securities.

Market for Securities

The closing price of Pinedale Shares on the TSXV on May 20, 2020, the last trading day prior to the Pinedale Shares being halted, was \$0.04 per Pinedale Share. See “*Part II – Information Concerning Pinedale – Stock Exchange Price.*” Trading in the Pinedale Shares has been halted and may remain halted pending the review of the Transaction by the Exchange. There can be no assurance that trading in the Pinedale Shares will resume prior to the completion of the Transaction.

Listing Approval

Pinedale has applied for conditional acceptance of the TSXV for the completion of the Transaction and listing of the Resulting Issuer Shares under the symbol “FLA”. Final acceptance of the TSXV is subject to Pinedale fulfilling all of the requirements for final acceptance of the TSXV. There can be no assurance that Pinedale will be able to satisfy the requirements of the TSXV.

Sponsorship

Pursuant to TSXV Policy 2.2 - *Sponsorship and Sponsorship Requirements* (the “**Sponsorship Policy**”), sponsorship for a transaction of this nature is required. Pinedale has applied to the TSXV for a waiver from sponsorship.

Securities Laws Matters

The Resulting Issuer Shares to be issued to holders of Flavocure Shares pursuant to the Merger will be issued in reliance on the exemption found in Section 2.11 of National Instrument 45-106 - *Prospectus Exemptions* and other available exemptions from prospectus requirements of applicable Canadian securities laws. Pursuant to National Instrument 45-102 - *Resale of Securities* (“**NI 45-102**”), the Resulting Issuer Shares to be issued to holders of such

shares will not be subject to a hold period under applicable securities laws (subject to the conditions of NI 45-102). Shareholders are advised to consult their financial or legal advisors with respect to the tradability of the Resulting Issuer Shares that they will receive on completion of the Merger.

Conflicts of Interest

Some of the individuals proposed for appointment or acting as directors or officers of the Resulting Issuer upon the completion of the RTO are also directors, officers and/or Promoters of other reporting and non-reporting issuers. As of the date of this Filing Statement and to the knowledge of the directors and officers of Pinedale and Flavocure, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment or acting as directors or officers following the completion of the Transaction. See "Conflicts of Interest".

Experts

Except as disclosed herein, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement holds any beneficial interest, direct or indirect, in any securities or property of Pinedale or Flavocure or of an Associate or Affiliate of Pinedale or Flavocure, respectively, and no such person is expected to be elected, appointed or employed as a director, officer or employee of Pinedale or Flavocure or of an Associate or Affiliate of Pinedale or Flavocure, respectively.

Summary of Risk Factors

AN INVESTMENT IN SECURITIES OF PINEDALE AND, FOLLOWING THE COMPLETION OF THE TRANSACTION, THE RESULTING ISSUER, IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

The current business of Flavocure will be the business of the Resulting Issuer upon completion of the Transaction. Flavocure's future development and operating results may be very different from those expected as at the date of this Filing Statement. Readers should carefully consider the risks related to Flavocure's and the Resulting Issuer's future performance. See "PART I - RISK FACTORS".

Risk factors relating to Flavocure and the Resulting Issuer include, but are not limited to, the following:

Risks relating to the Resulting Issuer's business including:

- future capital requirements;
- demand for Flavocure's products;
- negative operating cash flow;
- risks associated with the material contracts of Flavocure;
- governmental regulations, particularly those applicable to the biotechnical and pharmaceutical industries;
- changes in technology and subsequent demand for biotechnical and pharmaceutical products;
- reliance on key personnel;
- failure to realize growth strategy;
- management of growth, including integration risk;
- insurance coverage;
- competition;
- legal proceedings and enforceability of judgments;

- conflicts of interest;
- market conditions;
- failure to complete transactions or realize anticipated benefits;
- certain events may be outside the Resulting Issuer's control;
- employee health and safety regulations;
- conflicts of interest;
- litigation;
- currency exchange rate fluctuations
- failure to realize growth strategy; and
- inaccuracy or invalidity of any valuation report.

Risks relating to the ownership of Resulting Issuer Shares:

- the loss of an investor's entire investment;
- potential volatility of share price;
- no assurance of active market for shares;
- dilution of shareholders of the Resulting Issuer;
- risks associated with becoming a public company;
- control by majority shareholders;
- dividend policy;
- global financial conditions;
- differences in the actual use of proceeds from any financing transaction; and
- publication of inaccurate or unfavourable research and reports.

PART I - RISK FACTORS

Flavocure's current business will be the Resulting Issuer's business upon completion of the Merger. An investment in the securities of the Resulting Issuer involves significant risks. Additional risks and uncertainties not presently known to Pinedale and Flavocure or that Pinedale and Flavocure currently consider immaterial may also impair the business and operations of the Resulting Issuer and cause the trading price of the Resulting Issuer Shares to decline. If any of the following or other risks occur, the Resulting Issuer's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Resulting Issuer Shares could decline and shareholders could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

As used in this section "Risk Factors", references to Flavocure shall include a reference to the Resulting Issuer and to each of such entity's subsidiaries and in connection with risks to which Flavocure may be subject following the completion of the Merger should be considered to be risk factors affecting the Resulting Issuer.

Risks Relating to the Resulting Issuer's Business and the Merger

Negative Cash Flow

Flavocure had negative operating cash flow during its most recent financial year ended. Flavocure anticipates that it will continue to have negative operating cash flow for the foreseeable future and that it will need to allocate a portion of its cash reserves to fund such negative cash flow. Flavocure may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional capital or other types of financing will be available when needed or that any financing will be on terms favourable to Flavocure.

Lack of Supporting Clinical Data

The clinical effectiveness and safety of any of Flavocure's current or future products is not yet supported by clinical data and the medical community has not yet developed a large body of peer-reviewed literature that supports the safety and efficacy of Flavocure's products. If future studies call into question the safety or efficacy of Flavocure's products, Flavocure's business, financial condition or results of operations could be adversely affected.

Research and Development Risk

A principal long term component of Flavocure's business strategy is to expand its product offering to fully exploit the core technologies. As such, Flavocure's organic growth and long-term success is primarily dependent on its ability to successfully develop new and current products and it will likely incur significant research and development expenditures. Flavocure cannot be certain that any investment in research and development will yield technically feasible or commercially viable products. Furthermore, its ability to discover and develop products will depend on its ability to:

- retain key scientists as employees or partners;
- identify high quality therapeutic targets;
- identify potential drug candidates;
- develop products internally;
- successfully complete laboratory testing and clinical trials on humans;
- obtain and maintain necessary intellectual property rights to Flavocure's products;
- obtain and maintain necessary U.S. and other regulatory approvals for its products;
- collaborate with third parties to assist in the development of its products; and
- enter into arrangements with third parties to co-develop, license, and commercialize its products.

Flavocure may not be successful in discovering and developing drug products. Failure to so introduce and advance new and current products could materially and adversely affect Flavocure's operations and financial condition.

Dependence on Key Personnel

Flavocure is dependent upon a number of key management and technical personnel. Flavocure's ability to manage its exploration and development activities, and hence its success, will depend in large part on the efforts of these individuals. Flavocure faces competition for qualified personnel and there can be no assurance that Flavocure will be able to attract and retain such personnel. Failure to retain key employees or to attract and retain additional key employees with necessary skills could have a materially adverse impact on Flavocure's growth and profitability. Flavocure does not have "key man" insurance on any of its directors or officers.

Protection of Intellectual Property

Flavocure's success depends in part on its ability to maintain or obtain and enforce patent and other intellectual property protections for its processes and technologies and to operate without infringing upon the proprietary rights of third parties or having third parties circumvent the rights that Flavocure owns or licenses. Flavocure has filed applications in the United States and expects others, and may, in the future, seek additional patents or file patent applications.

Patents may provide some degree of protection for intellectual property; however, patent protection involves complex legal and factual determinations and is therefore uncertain. Flavocure cannot be assured that its patents or patent applications will be valid or will issue over prior art, or that patents will issue from the patent applications it has filed or will file. Additionally, Flavocure cannot be assured that the scope of any claims granted in any patent will be commercially useful or will provide adequate protection for the technology used currently or in the future. Flavocure cannot be certain that the creators of its technology were the first inventors of inventions and processes covered by its patents and patent applications or that they were the first to file. Accordingly, it cannot be assured that its patents will be valid or will afford protection against competitors with similar technology or processes. Despite its efforts to protect its proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use its proprietary information. Monitoring unauthorized use of confidential information is difficult and Flavocure cannot be certain that the steps taken to prevent unauthorized use of confidential information will be effective. In addition, the laws governing patent protection continue to evolve and are different from one country to the next, all of which causes further uncertainty in the usefulness of a patent. In addition, issued patents or patents licensed to Flavocure may be successfully challenged, invalidated, circumvented or may be unenforceable so that Flavocure's patent rights would not create an effective competitive barrier.

Moreover, the laws of some countries may not protect Flavocure's proprietary rights to the same extent as do the laws of the United States and Canada. There are also countries in which Flavocure intends to sell its products, but has no patents or pending patent applications. Flavocure's ability to prevent others from making or selling duplicate or similar technologies will be impaired in those countries in which there is no patent protection. If Flavocure is not able to adequately protect its intellectual property and proprietary technology, its competitive position, future business prospects and financial performance will be adversely affected.

Unpatented trade secrets, technological innovation and confidential know-how are also important to Flavocure's success. Although protection is sought for proprietary information through confidentiality agreements and other appropriate means, these measures may not effectively prevent disclosure of proprietary information, and, in any event, it cannot be assured that others will not independently develop the same or similar information or gain access to the same or similar information. In view of these factors, Flavocure's intellectual property positions have a degree of uncertainty.

Setbacks in these areas could negatively affect Flavocure's ability to compete and materially and adversely affect its business, financial condition and results of operations.

Inability to Implement the Business Strategy

The growth and expansion of Flavocure's business is heavily dependent upon the successful implementation of Flavocure's business strategy. There can be no assurance that Flavocure will be successful in the implementation of its business strategy.

Lack of Diversity

Larger companies have the ability to manage their risk through diversification. However, Flavocure currently lacks diversification, in terms of the nature of its business. As a result, Flavocure could potentially be more impacted by factors affecting the pharmaceutical development industry in general and Flavocure in particular than would be the case if the business was more diversified.

Competitive Market for Flavocure's Products

The pharmaceutical and biotechnology industries are highly competitive. Overall, most of Flavocure's competitors in the pharmaceutical and biotechnology industries are larger and have greater financial and other resources, which enables them to invest significant amounts of capital and other resources in their businesses, including expenditures for research and development. If one of Flavocure's current or future competitors develops innovative proprietary products, some or all of Flavocure's products could be rendered obsolete.

Intellectual Property Litigation

Patents issued or licensed to Flavocure may be infringed by the products or processes of others. The cost of enforcing patent rights against infringers, if such enforcement is required, could be significant, and the time demands could interfere with normal operations. There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical industry. Flavocure may become a party to patent litigation and other proceedings. The cost of any patent litigation, even if resolved in Flavocure's favour, could be substantial. Some of Flavocure's competitors may be able to sustain the costs of such litigation more effectively than Flavocure can because of their substantially greater financial resources. Litigation may also absorb significant time and could divert management's attention from Flavocure's core business. Litigation also puts Flavocure's patents at risk of being invalidated or interpreted narrowly, and puts patent applications at risk of not being issued.

Additionally, it is possible that patents issued or licensed to Flavocure may be challenged successfully by third parties in patent litigation. Patent applications which relate to or affect the business may have been filed by others and may conflict with Flavocure's technologies or patent applications; this could reduce the scope of patent protection which could otherwise be obtained or even lead to refusal of patent applications. It is also possible for others to develop products which have the same effect as Flavocure's products on an independent basis or to design around the technology protected by Flavocure's patents. In any event, if Flavocure is unable to secure or to continue to maintain a preferred position, its products could become subject to competition from the sale of generic or equivalent products. Flavocure could also become involved in interference proceedings in connection with one or more of its patents or patent applications to determine priority of invention.

Flavocure cannot be certain that it is the creator of inventions covered by pending patent applications or that it was the first to file patent applications for any such inventions. It cannot be assured that Flavocure's patents, once issued, would be declared by a court to be valid or enforceable, or that a competitor's technology or product would be found to infringe Flavocure's products. In the event that a court were to find that Flavocure was infringing upon a valid patent of a third party, it could be required to pay a substantial damage award, develop non-infringing technology, enter into royalty-bearing licensing agreements or stop selling its products. It cannot be assured that Flavocure could enter into licensing arrangements at a reasonable cost, or at all. Any inability to secure licenses could result in delays in the introduction of some of Flavocure's products or even lead to prohibition of the development, manufacture or sale of certain of its products.

Although no claims against Flavocure are, to its knowledge, currently pending, it may be subject to claims. Litigation may be necessary to defend against these claims. Even if Flavocure is successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Dilution and Expenditures from Future Acquisitions and Uncertainty of Adequate Returns

Flavocure may seek to expand through future acquisitions, however, there can be no assurance that Flavocure will locate attractive acquisition candidates, or that Flavocure will be able to acquire such candidates on economically acceptable terms, if at all, or that Flavocure will not be restricted from completing acquisitions pursuant to contractual arrangements. Future acquisitions may require Flavocure to expend significant amounts of cash, resulting in Flavocure's inability to use these funds for other business or may involve significant issuances of equity. Future acquisitions may also require substantial management time commitments, and the negotiation of potential acquisitions and the integration of acquired operations could disrupt Flavocure's business by diverting management and employees' attention away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically diverse organizations, integrating personnel with disparate backgrounds and combining different corporate cultures.

At times, future acquisition candidates may have liabilities or adverse operating issues that Flavocure fails to discover through due diligence prior to the acquisition. If Flavocure consummates any future acquisitions with unanticipated liabilities or that fails to meet expectations, Flavocure's business, results of operations, cash flows or financial condition may be materially adversely affected. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce Flavocure's overall earnings and could negatively affect Flavocure's balance sheet.

Regulatory Risk

Flavocure requires approval from the FDA for conducting human clinical studies and will require approval from the FDA and equivalent organizations in other countries before any drugs can be marketed. There is no assurance that such approvals will be forthcoming. Furthermore, the exact nature of the studies these regulatory agencies will require is not known and can be changed at any time by the regulatory agencies, increasing the financing risk and potentially increasing the time to market Flavocure faces, which could adversely affect Flavocure's business, financial condition or results of operations.

Regulatory Compliance

In both domestic and foreign markets, the development, formulation, manufacturing, packaging, labelling, handling, distribution, import, export, licensing, sale and storage of pharmaceuticals are affected by a body of laws, governmental regulations, administrative determinations, including those by the Canada Food Inspection Agency and the FDA, court decisions and similar constraints. Such laws, regulations and other constraints can exist at the federal, provincial or local levels in Canada and at all levels of government in foreign jurisdictions. There can be no assurance that Flavocure and Flavocure's partners are in compliance with all of these laws, regulations and other constraints. Flavocure and its partners may be required to incur significant costs to comply with such laws and regulations in the future, and such laws and regulations may have an adverse effect on the business. The failure of Flavocure or its partners to comply with current or future regulatory requirements could lead to the imposition of significant penalties or claims and may have a material adverse effect on the business. In addition, the adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements might result in significant compliance costs or lead Flavocure and its partners to discontinue product development and could have an adverse effect on the business.

International Operations

Flavocure's international operations expose it and its representatives, agents and distributors to risks inherent to operating in foreign jurisdictions which could materially adversely affect its operations and financial position. These risks include:

- Country-specific taxation policies;
- Imposition of additional foreign governmental controls or regulations;
- Export license requirements;
- Changes in tariffs and other trade restrictions; and

- Complexity of collecting receivables in a foreign jurisdiction.

Moreover, applicable agreements relating to business in foreign jurisdictions are governed by foreign laws and are subject to dispute resolution in the courts of, or through arbitration proceedings in, the country or region in which the parties are located or another jurisdiction agreed upon by the parties. Flavocure cannot accurately predict whether such forum will provide an effective and efficient means of resolving disputes that may arise in the future. Even if it obtains a satisfactory decision through arbitration or a court proceeding, Flavocure could have difficulty in enforcing any award or judgment on a timely basis or at all.

Legal Proceedings and Enforceability of Judgments

Flavocure may be subject to regulatory investigations, civil claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in regulatory actions and litigation, the difficulty of predicting decisions of regulators, judges and juries and the possibility that decisions may be reversed on appeal. Defense and settlement costs of legal disputes can be substantial, even with claims that have no merit. Management is committed to conducting business in an ethical and responsible manner, which it believes will reduce the risk of legal disputes. However, if Flavocure is subject to legal disputes, there can be no assurances that these matters will not have a material adverse effect on Flavocure's business, financial condition, results of operations, cash flows or prospects.

Since some of Flavocure's assets are located outside of Canada, there may be difficulties in enforcing any judgments obtained by Flavocure in foreign jurisdictions in Canadian courts. Flavocure may be subject to legal proceedings and judgments in foreign jurisdictions. It may be difficult for investors to enforce within Canada any judgments obtained against Flavocure, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws or otherwise. Consequently, investors may be effectively prevented from pursuing remedies against Flavocure under Canadian securities laws or otherwise. Similarly to the extent that Flavocure's assets are located outside of Canada, investors may have difficulty collecting from Flavocure on any judgments obtained in Canadian courts and predicated on the civil liability provisions of applicable securities legislation. Flavocure may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Flavocure is incorporated in the United States. It may not be possible for shareholders to effect service of process against Flavocure's officers and directors who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of Flavocure's officers and/or directors for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those officers and/or directors not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law or other claims in original actions instituted in the United States. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Conflicts of Interest

Certain directors and officers of Flavocure are or may become associated with other companies which may give rise to conflicts of interest. The directors and some of the officers of Flavocure have either other full-time employment or other business or time restrictions placed on them and accordingly, Flavocure will not be the only business enterprise of these directors and officers. See "*Directors and Executive Officers - Conflicts of Interest*".

Current Global Financial Conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. This volatility has returned in light of the COVID-19 pandemic. There remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises. Future economic shocks may be precipitated by a number of causes, including

pandemics, war, a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact Flavocure's ability to obtain equity or debt financing in the future on terms favourable to Flavocure, or at all. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, Flavocure's operations and financial condition could be adversely impacted.

Currently, the global economy is suffering the results of the novel coronavirus COVID-19 pandemic. The pandemic has had significant negative effects on the global economy by, among other effects, halting supply chains, product demand and labour markets. Equity and credit markets have reacted negatively. Given the novel nature of the global outbreak of disease, the end result of the pandemic and its economic effects are not knowable, but one plausible outcome could be a recession, even of prolonged length.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the global mining industry, global supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect Flavocure's operating environment and its operating costs and share price. Any negative events in the global economy could have a material adverse effect on Flavocure's business, financial condition, results of operations, cash flows or prospects.

Loss of Investment

An investment in Flavocure Shares is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in Flavocure.

Price Volatility

Securities of biotech companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of the securities of Flavocure at any given point in time may be subject to market trends and macroeconomic conditions generally, notwithstanding any potential success of Flavocure in creating revenues, cash flows or earnings and may not accurately reflect the long-term value of Flavocure. There can be no assurance that the continual fluctuations in price will not occur. The value of the securities distributed hereunder may be affected by such volatility.

No Assurance of Active Market for Shares

Upon completion of the Merger, the Resulting Issuer Shares will be listed on the TSXV, however, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained. If an active public market does not develop or is not maintained, shareholders of the Resulting Issuer may have difficulty selling the Resulting Issuer Shares that such shareholders will acquire as a result of the Merger. The market price of the Resulting Issuer Shares may materially decline below the implied value of the Resulting Issuer Shares in the Merger.

Dilution to the Resulting Issuer Shares

Any increase in the number of Resulting Issuer Shares subsequent to the Transaction may have a depressive effect on the price of the Resulting Issuer Shares, and any such increase will dilute the voting power of holders of Resulting Issuer Shares.

Flavocure may in the future grant to some or all of its directors, employees and consultants options to purchase Resulting Issuer Shares at exercise prices equal to market prices at times when the public market is depressed. To the extent that significant numbers of such options are granted and exercised, the interests of then existing shareholders of Flavocure will be subject to additional dilution.

Further, any additional issuance of equity securities following the closing of the Transaction could dilute the interests of existing shareholders and could negatively affect the trading price of the Resulting Issuer Shares. Flavocure may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust the ratio of any future debt to equity and to satisfy Flavocure's obligations upon the exercise of outstanding warrants or options or for other reasons. Sales of a substantial number of Resulting Issuer Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Resulting Issuer Shares and impair Flavocure's ability to raise capital through the sale of additional equity securities. Flavocure cannot predict the effect that future sales of the Resulting Issuer Shares or other equity-related securities would have on the market price of the Resulting Issuer Shares.

Public Company Status

Flavocure will incur significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact Flavocure's performance and could cause Flavocure's results of operations and financial condition to suffer. Compliance with applicable securities laws and the rules of the TSXV increases Flavocure's expenses, including Flavocure's legal and accounting costs, and make some activities more time-consuming and costly which uses management resources that would otherwise be used for advancing the business.

Reporting Requirements and Continuous Disclosure

Upon completion of the Transaction, Flavocure will become subject to reporting and other obligations under applicable Canadian securities laws and the Policies of the TSXV, or any other stock exchange on which the Resulting Issuer Shares are then-listed, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on Flavocure's management, administrative, operational and accounting resources. In order to meet such requirements, Flavocure will, among other things, establish systems, implement financial and management controls, reporting systems and procedures and, if necessary, hire qualified accounting and finance staff. However, if Flavocure is unable to accomplish any such necessary objectives in a timely and effective manner, Flavocure's ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause Flavocure to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If Flavocure cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in Flavocure's reported financial information, which could result in a reduction in the trading price of the Resulting Issuer Shares.

Flavocure does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

Currency Fluctuations

Investors who purchase Resulting Issuer Shares will be subject to currency exchange rate risk. Although the Resulting Issuer Shares are priced in Canadian dollars, the business of Flavocure will be conducted in jurisdictions outside of Canada, including the United States. Consequently, any income and gains will be earned and any expenses and losses may be incurred in or presented in the financial statements in currencies other than Canadian dollars, including United States dollars. The value of the Canadian dollar is not maintained at a fixed exchange rate compared to global currencies; rather, it floats in relation to them. As a result of fluctuations in the exchange rate between the Canadian

dollar and United States dollars, the value of an investment in the Resulting Issuer Shares, when expressed in Canadian dollars, may be greater or less than that determined only with reference to United States dollars.

Fluctuations in the value of currencies including the Canadian dollar and United States dollar may materially affect the financial position and results of Flavocure. Flavocure does not currently take any steps to hedge against currency fluctuations although it may elect to hedge against the risk of currency fluctuations in the future. There can be no assurance that steps taken by Flavocure to address such currency fluctuations will eliminate all adverse effects and, accordingly, Flavocure may suffer losses due to adverse foreign currency fluctuations.

Dividend Policy

Flavocure has not paid dividends in the past and has no plans to pay dividends for the foreseeable future. The future dividend policy of the Resulting Issuer will be determined by the Resulting Issuer Board.

Failure to Realize Growth Strategy

There are risks associated with Flavocure's growth strategy, and such strategies may not succeed, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors as well as delays in obtaining, or conditions imposed by, regulatory approvals and quality control and health concerns. As a result, there is a risk that Flavocure may not have the capacity to meet customer demand or to meet future demand when it arises. In addition, Company expects to continue to expend substantial financial and other resources on personnel, including significant increases to the total compensation as Flavocure pays its employees as it grows employee headcount; marketing, including expenses relating to increased direct marketing efforts; and general administration, including legal, accounting and other compliance expenses related to being a public company. If Company cannot manage growth effectively it could materially and adversely affect the business, financial condition and results of operations of Company.

Failure to Complete Transactions or Realize Anticipated Benefits

Flavocure has set out in this Filing Statement information about potential future transactions of Flavocure, including information about letters of intent and plans to close acquisitions that management anticipates will contribute to Flavocure's growth. There is no assurance that these transactions will be completed or, if completed, will be completed in accordance with the terms and on the conditions set out herein. The completion of any transaction is subject to many contingencies, including receipt of any corporate, third party, regulatory and other consents; and ability to complete the transaction in accordance with the requirements of applicable law, including the laws of foreign jurisdictions. If Flavocure does not complete the transactions or any one of the transactions described herein, Flavocure will not be able to realize any anticipated benefit of such transaction or transactions. Moreover, management of Flavocure will have spent substantial time and resources in connection with such transactions, at an opportunity cost to Flavocure. In addition, even if a transaction is completed, there can be no assurance that Flavocure will be able to capitalize on the anticipated benefits of such transaction, or that such transaction will be accretive to Flavocure. Failure to complete any transaction on the terms and conditions currently contemplated or at all, or failure to realize the anticipated benefits of a transaction, could each have a material adverse effect on Flavocure's business, financial condition and results of operations.

Integration Risk

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize on anticipated growth opportunities and synergies from newly formed partnerships. Any failure to integrate an acquired business or realize the anticipated benefits of new partnerships may have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships.

Certain Events May be Outside of the Control of the Resulting Issuer

Events, including those beyond the control of Flavocure, may damage its operations. In addition, these events may negatively affect customers' demand for Flavocure's products. Such events include, but are not limited to, non-

performance by third party contractors; increases in materials or labour costs; breakdown or failure of equipment; failure of quality control processes; contractor or operator errors; as well as major incidents and/or catastrophic events such as pandemics, fires, explosions, earthquakes, terrorist attacks and natural disasters. Despite any precautions Flavocure and the Resulting Issuer may take, system interruptions and delays could occur if there is an unanticipated event or other unanticipated problem at Flavocure's facilities, and such disruptions could harm Flavocure's ability to run its business and cause lengthy delays in meeting customer and client demand, or future demand when it arises, which could have a material adverse effect on the business, financial condition and results of operations of Flavocure.

Employee Health and Safety Regulations

Flavocure's operations are subject to employee health and safety laws and regulations. Flavocure will incur ongoing costs and obligations related to compliance with employee health and safety matters. Failure to comply with health and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on Flavocure's manufacturing operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Flavocure's operations or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and results of operations of Flavocure.

Control by Majority Shareholders

Following the Transaction, several individuals and their affiliates will have significant influence over Flavocure's governance and operations, and decisions that require shareholder approval, including the election of directors, the selection of senior management, the acquisition or disposition of the Resulting Issuer's assets, access to capital markets, the payment of dividends and any change of control of the Resulting Issuer, such as a merger or take-over, and significant corporate transactions. The concentration of voting power may have the effect of delaying, deferring or preventing a change in control over the Resulting Issuer, impeding a merger, consolidation, takeover or other business combination, or discouraging a potential acquirer from making a takeover bid or otherwise attempting to obtain control, which in turn could have a material adverse effect on the market price of the over the Resulting Issuer Shares. This control may also limit the price that investors are willing to pay for the Resulting Issuer Shares. In addition, a sale of Resulting Issuer Shares by such shareholders, or the perception of the market that a sale may occur, may adversely affect the market price of the Resulting Issuer Shares.

Use of Proceeds from Financing Transactions

The Resulting Issuer cannot specify the particular uses of the net proceeds it will receive from any financing transaction in connection with the Transaction with certainty. The Resulting Issuer's management will have broad discretion in the application of the net proceeds. Accordingly, a holder of Resulting Issuer Shares will have to rely upon the judgment of the Resulting Issuer's management with respect to the use of the proceeds, with only limited information concerning management's specific intentions. The Resulting Issuer's management may spend a portion or all of the net proceeds from any cash on hand or financing proceeds in ways that the Resulting Issuer's shareholders may not desire, that may not yield a favourable return or that may not increase the value of the Resulting Issuer Shares. The failure by the Resulting Issuer's management to apply such funds effectively could harm the Resulting Issuer's business, financial condition and operations. Pending their use, the Resulting Issuer may invest the net proceeds from any financing transaction in a manner that does not produce income or that loses value.

Publication of Inaccurate or Unfavourable Research and Reports

Following the listing of the Resulting Issuer Shares, the trading market for the Resulting Issuer Shares will rely in part on the research and reports that securities analysts and other third parties choose to publish about the Resulting Issuer. The Resulting Issuer will not control these analysts or other third parties. The price of the Resulting Issuer Shares could decline if one or more securities analysts downgrade the Resulting Issuer Shares or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about the Resulting Issuer or cease publishing reports about the Resulting Issuer. If one or more analysts cease coverage of the Resulting Issuer or fail to regularly publish reports on the Resulting Issuer, the Resulting Issuer could lose visibility in the financial markets, which in turn could cause the Resulting Issuer's share price or trading volume to decline.

Collaboration and Contract Risk

Flavocure's current arrangements in regards to collaborations with Harvard Medical School and the Nanotech delivery system with Brigham Health ("**Brigham**") are non-binding in nature and there is a risk that anticipated benefits of these arrangements may not materialize, or may not occur within the time frames anticipated by Flavocure and the Resulting Issuer. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of Flavocure and the Resulting Issuer and may cause a material adverse effect on the business, financial condition and results of operations.

Risks to Pinedale Shareholders Relating to the Transaction

The Transaction May Not be Completed

The Transaction is subject to final acceptance of the TSXV and regulatory approval. There can be no assurance(s) that the necessary regulatory approvals will be obtained. If the Merger is not completed for these reasons or for any other reason(s), Pinedale will have incurred significant costs associated with the failed implementation of the Merger and the Transaction.

Use of Proceeds from Private Placements

The Resulting Issuer will have broad discretion concerning the use of the proceeds of the Private Placement, as well as the timing of their expenditure. As a result, purchasers will be relying on the judgment of management for the effective use of such proceeds. Management may use such proceeds in ways that subscribers may not consider desirable. The results and the effectiveness of the investment of the proceeds of the Private Placement are uncertain. If the proceeds are not applied effectively, the results of the Resulting Issuer's operations may suffer.

Management and Conflicts of Interest

The ability of Pinedale to successfully complete the Transaction is dependent on the performance of its current directors and officers, who devote only a portion of their time to the business and affairs of Pinedale and are, or will be, engaged in other projects or businesses. Accordingly, situations may arise where certain directors and officers of Pinedale are in a position of conflict with Pinedale.

PART II - INFORMATION CONCERNING PINEDALE

The following information is presented on a pre-Merger basis and prior to giving effect to the Transaction. See “Part IV - Information Concerning the Resulting Issuer” for pro forma business, financial and share capital information relating to the Resulting Issuer.

Name and Incorporation

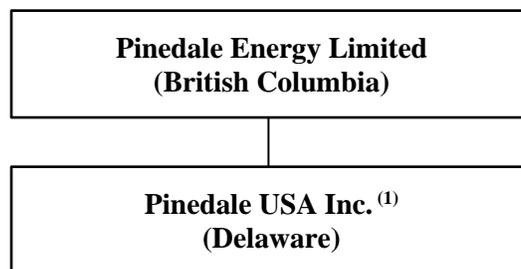
Pinedale Energy Limited was incorporated pursuant to the provisions of the BCBCA on December 17, 2007 under the name Bryant Resources Inc. On October 4, 2013, Bryant Resources Inc. changed its name to Outrider Energy Corp. and subsequently, on May 31, 2017, Outrider Energy Corp. changed its name to Pinedale Energy Limited. Pinedale Shares are listed for trading on the TSXV under the stock symbol “MCF” and is a reporting issuer in the provinces of British Columbia, Alberta and Ontario. In connection with the Transaction, Pinedale will change its name to “Flavocure Biotech Inc.”, or such other similar name as Flavocure may direct and which is acceptable to the TSXV and other applicable regulatory authorities.

The head and registered office of Pinedale is located at 550 Burrard St #2900, Vancouver, BC V6C 0A3.

At a Pinedale shareholders meeting held on July 20, 2020 (“**2020 AGSM**”), Pinedale Shareholder’s approved amendments to the articles of Pinedale which included (a) removing the existing Class B common shares (the “**Class B Shares**”) from Pinedale’s authorized capital, of which none were issued and outstanding; (b) created a new class of shares, to be issuable in series, and to be designated as the “*Preferred Shares*”; (c) amended the special rights and restrictions of Pinedale’s former Class A common shares to delete references to the Class B Shares; and (d) re-designated the Class A Shares as the “*Common Shares*”.

Intercorporate Relationships

Pinedale currently has one wholly owned subsidiary, Pinedale Subco. Previously, at the 2020 AGSM, Pinedale Shareholder’s approved the disposition of all or substantially all of Pinedale’s assets, which included shares in the capital of 0970831 and its indirectly held U.S. subsidiary Pinedale Energy Inc. The simplified ownership structure is provided in the corporate organizational chart below.



Notes

(1) Pinedale Energy Limited owns 100% of Pinedale USA Inc.

General Development of the Business

Pinedale was a Canadian junior oil and gas producer engaged in the business of 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.

On May 20, 2020, Pinedale entered into the Share Transfer Agreement with 0970831, Brad Windt and Don Sharpe pursuant to which Brad Windt and Don Sharpe agreed to assign a promissory note, pursuant to which Pinedale owed \$2.9-million, from Pinedale to 0970831 and to acquire 0970831 for nominal consideration. Additionally, the Share Transfer Agreement provided for the transfer by Pinedale of intercompany receivables owing to Pinedale related to

Pinedale's oil and gas business outstanding in the principal amount of approximately \$4.1-million (U.S.) to 0970831. Brad Windt and Don Sharpe agreed to release Pinedale from any obligations related to the note upon closing of these transactions. Pinedale called a shareholder meeting to seek shareholder approval to the transactions contemplated in the Share Transfer Agreement, in which shareholder approval was granted and the divestiture was effected shortly after receipt of shareholder approval. Subsequent to the finalization of the Asset Disposition Transaction, Pinedale has no active business operations or activities.

Also on May 20, 2020, Pinedale entered a binding letter of intent (the “**LOI**”) with Flavocure that set out the principal terms of the Transaction. On October 6, 2020, the LOI was superseded by the Merger Agreement, as amended by the Amended Merger Agreement and Second Amended Merger Agreement. The Transaction proposed to be carried out with Flavocure will result in the acquisition of the business of Flavocure by Pinedale.

Bridge Financing Lending Arrangement

Flavocure has advanced USD \$75,000 to Pinedale pursuant to the Pinedale Promissory Note, issued without interest payable on the unpaid principal, beginning on September 18, 2020 and to be repaid in full before or on December 31, 2020. The Pinedale Promissory Note was extended until June 30, 2021.

Selected Consolidated Financial Information and Management’s Discussion and Analysis

Selected Financial Information

The following table sets out selected historical financial information for Pinedale for the periods indicated. Such information is derived from the audited financial statements for the periods ended December 31, 2020, 2019 and 2018, and should be read in conjunction with such financial statements. See Exhibit “C” hereto.

	For the Period Ended December 31		
	2018 (\$) (audited)	2019 (\$) (audited)	2020 (\$) (audited)
Total revenue	\$7,530,769	\$5,116,046	\$1,341,520
Total expenses	\$(20,919,090)	\$4,248,318	\$1,488,801
Net income (Loss)	\$(11,741,668)	\$1,033,101	\$(240,376)
Funds from operations	\$2,087,556	\$2,030,563	\$60,581
Basic earnings per share	\$(0.55)	\$0.01	\$0.00
Diluted earnings per share	\$(0.55)	\$0.01	\$0.00
Total assets	\$13,326,156	\$12,169,654	\$92,057
Total current and long-term liabilities	\$13,593,516	\$11,337,767	\$210,229

Management’s Discussion and Analysis

Management’s Discussion and Analysis for Pinedale for the periods ending December 31, 2020 (collectively, the “**Pinedale MD&A**”) is attached hereto as Exhibit “D”. The Pinedale MD&A should be read in conjunction with the audited financial statements of Pinedale.

Description of Securities

As of the date hereof, there are 112,472,114 Pinedale Shares issued and outstanding. The authorized capital of Pinedale consists of an unlimited number of Pinedale Shares and an unlimited number of Preferred Shares.

Pinedale Shares

The Pinedale Shares are entitled to notice of, to attend, and to vote at all meetings of shareholders. The Pinedale Shares are entitled to receive dividends if, as and when declared by the directors, and rank pari passu with one another in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Pinedale. There are no restrictions on the repurchase or redemption of shares except as otherwise set out herein and to the extent that any such repurchase or redemption would render Pinedale insolvent pursuant to the BCBCA. Pinedale shareholders are entitled to receive notice of any meetings of shareholders of Pinedale and to attend and cast one vote for each Pinedale Share held at all such meetings.

Preferred Shares

The Preferred Shares may from time to time be issued in one or more series. The directors may, by resolution passed before the issue of shares of any particular series of Preferred Shares, alter the Notice of Articles and Articles of the Company to fix the number of shares in that series and determine the designation of shares of that series; and to create, define and attach the rights, privileges, restrictions and conditions attaching to the shares of that series. In respect of dividends or a return of capital (whether on winding up or on the occurrence of another event that would result in the holders of all series of Preferred Shares being entitled to a return of capital):(a) the Preferred Shares shall have priority over the Pinedale Shares in the capital of Pinedale and over any other shares of the Pinedale ranking junior to the Preferred Shares in respect of such payment; (b) the Preferred Shares shall rank junior to any other shares of the Pinedale ranking senior to the Preferred Shares in respect of such payment; and (c) no special rights or restrictions attached to a series of Preferred Shares shall confer upon a series priority over any other series of Preferred Shares then outstanding.

Prior Sales

During the 12 months prior to the date of this Filing Statement, Pinedale has not issued any securities.

Private Placement

In connection with the Transaction, Flavocure and Pinedale agreed to complete the Private Placement to raise \$3,800,000 (9,500,000 Subscription Receipts) on a best efforts basis. The Private Placement is a brokered and non-brokered offering of Subscription Receipts at a price of CDN\$0.40 per Subscription Receipt, such Subscription Receipts being issued in accordance with the terms and conditions set forth in the Agency Agreement and the Brokered Subscription Receipt Agreements in the case of the Brokered Private Placement, and in the case of the Non-Brokered Private Placement, in accordance with the terms of the Non-Brokered Subscription Receipt Agreements, prior to the Effective Date. The net proceeds of the Private Placement will be placed in escrow and released, and the Subscription Receipts will automatically be exchanged for Pinedale Shares for no additional consideration, on satisfaction of certain Escrow Release Conditions. The exchange of the Subscription Receipts issued under the Private Placement is subject to, and will occur concurrently with, the completion of the Transaction. The Private Placement is subject to Exchange and other regulatory acceptance.

In connection with the Brokered Private Placement, Pinedale will execute an Agency Agreement with the Agent. Pursuant to the Agency Agreement, Pinedale will sell, and the Agent will act as Pinedale's agent to offer for sale on a commercially reasonable basis, Subscription Receipts at a price of \$0.40 per Subscription Receipt, payable in cash to Pinedale against delivery, subject to compliance with all necessary legal requirements and terms and conditions of the Agency Agreement. The price per Subscription Receipt was determined based upon arm's-length negotiations between Pinedale and the Agent.

The Agent will be paid a cash commission equal to 7% of the proceeds raised under the Brokered Private Placement (the "**Cash Fee**"), and will receive a \$50,000 corporate finance fee as well as expense reimbursement. The Agent will also be issued an Agent Option as is equal to 7% of the Subscription Receipts sold under the Brokered Private Placement. The Agent Option will entitle the holder to acquire one post-consolidation share of the Resulting Issuer at the Issue Price for a period of twenty-four months following the date of issuance. One-half of the Cash Fee and the corporate finance fee will be payable upon the closing of the Brokered Private Placement, and the remainder of the

Cash Fee will be payable on the date the Brokered Private Placement proceeds are released from escrow. The Agent's Option's will be issued on the date that Brokered Private Placement proceeds are released from escrow.

Pinedale will also pay certain expenses incurred by the Agent in connection with the Brokered Private Placement as set forth in the Agency Agreement. Pinedale has also agreed to indemnify the Agent, their affiliates and their respective directors, officers, partners, employees and agents against certain liabilities and expenses or will contribute to payments that the Agent may be required to make in respect thereof.

Stock Exchange Price

The closing price on the TSXV of Pinedale Shares on May 20, 2020, the last completed trading day prior to the announcement of the Transaction, was \$0.04 per Pinedale Share. The following table sets out trading information for Pinedale Shares for the periods indicated (all dollar amounts in Canadian dollars).

Period	High Close (\$)	Low Close (\$)	Volume
2021			
April	N/A	N/A	N/A
March	N/A	N/A	N/A
February	N/A	N/A	N/A
January	N/A	N/A	N/A
2020			
December	N/A	N/A	N/A
November	N/A	N/A	N/A
October	N/A	N/A	N/A
September	N/A	N/A	N/A
August	N/A	N/A	N/A
July	N/A	N/A	N/A
April-June ⁽¹⁾	\$0.04	\$0.04	150
January-March	\$0.04	\$0.04	4,200
2019			
October-December	\$0.085	\$0.02	81,700
July-September	\$0.11	\$0.08	78,225
April-June	\$0.095	\$0.09	22,481
January-March	\$0.13	\$0.085	58,850
2018			
October-December	\$0.18	\$0.10	164,325
July-September	\$0.26	\$0.15	53,681
April-June	\$0.40	\$0.21	77,925
January-March	\$0.50	\$0.31	107,400

Note:

(1) In connection with the Transaction, trading of Pinedale Shares were halted on May 26, 2020.

Arm's Length Transactions

Pinedale has not completed a transaction involving a Non-Arm's Length Party since its incorporation, other than as disclosed in Pinedale's financial statements and the Asset Disposition Transaction referenced here. The proposed Merger is not a Non-Arm's Length Transaction. See "*Part II - Information Concerning Pinedale - General Development of the Business*".

Executive Compensation

The following disclosure is presented in accordance with Form 51-102F6V - *Statement of Executive Compensation – Venture Issuers*.

For the purposes set out below a "**Named Executive Officer**" or "**NEO**" means:

- (a) Pinedale's chief executive officer ("**CEO**");

- (b) Pinedale’s chief financial officer (“CFO”);
- (c) each of Pinedale’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of Pinedale, nor acting in a similar capacity, at the end of that financial year.

For the financial year ended December 31, 2020, the Named Executive Officer of Pinedale were the following:

- Claus Andrup, Interim Chief Executive Officer, Interim Chief Financial Officer and Director.

Director and Named Executive Officer Compensation

Below is the executive compensation disclosure for each of the Pinedale’s directors and three most highly compensated executive officers, in addition to the Chief Executive Officer and Chief Financial Officer, for the two most recently completed financial years ended December 31, 2020 and December 31, 2019.

Table of compensation excluding compensation securities							
Name and position	Year Ended	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Brad Windt ⁽¹⁾ <i>Former Director, Former President & Former CEO</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Barry Loughlin ⁽²⁾ <i>Former CFO & Former Corporate Secretary</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	72,000	Nil	Nil	Nil	Nil	72,000
Chris Schultze ⁽³⁾ <i>Former Director & Former COO</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	72,000	Nil	Nil	Nil	Nil	72,000
Claus Andrup ⁽⁴⁾ <i>Interim CEO, CFO and Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
Gordon Nielsen ⁽⁵⁾ <i>Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	12,000	Nil	Nil	12,000

Table of compensation excluding compensation securities							
Name and position	Year Ended	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
John G. Proust ⁽⁶⁾ <i>Former Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Scott Young ⁽⁷⁾ <i>Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Windt was appointed as a director, the CEO and the President of Pinedale effective May 31, 2017 and resigned on May 22, 2020.
- (2) Mr. Loughlin was appointed as the CFO and Corporate Secretary of Pinedale effective May 31, 2017 and resigned on May 22, 2020. During this time, Mr. Loughlin received compensation for acting as the CFO of Pinedale.
- (3) Mr. Schultze was appointed as the COO of Pinedale effective June 2, 2017 and as a director of Pinedale effective December 18, 2018 and resigned from both positions on May 22, 2020. During this time, Mr. Schultze received compensation for acting as the COO of Pinedale.
- (4) Mr. Andrup was appointed as a director and interim CEO and CFO of Pinedale on May 25, 2020;
- (5) Mr. Nielsen was appointed as a director of Pinedale effective August 30, 2018. Mr. Nielsen receives compensation in the form of director fees.
- (6) Mr. Proust was appointed as a director of Pinedale effective December 17, 2007 and resigned on December 19, 2019.
- (7) Mr. Young was appointed as a director of Pinedale effective May 25, 2020.

The following table sets forth all compensation securities granted or issued to each director and Named Executive Officer of Pinedale during the financial years ended December 31, 2020.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Brad Windt ⁽¹⁾ <i>Former Director, President & CEO</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Barry Loughlin ⁽²⁾ <i>Former CFO/Corporate Secretary</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Chris Schultze ⁽³⁾ <i>Former Director/COO</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Claus Andrup ⁽⁴⁾ <i>Interim CEO, CFO and Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Donald Sharpe ⁽⁵⁾ <i>Former Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Gordon Nielsen ⁽⁶⁾ <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Scott Young ⁽⁷⁾ <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Mr. Windt held no compensation securities on the last day of the most recently completed financial year.
- (2) Mr. Loughlin held 438,021 compensation securities on the last day of the most recently completed financial year.
- (3) Mr. Schultze held 438,021 compensation securities on the last day of the most recently completed financial year.
- (4) Mr. Andrup held no compensation securities on the last day of the most recently completed financial year.
- (5) Mr. Sharpe held no compensation securities on the last day of the most recently completed financial year.
- (6) Mr. Nielsen held no compensation securities on the last day of the most recently completed financial year.
- (7) Mr. Young held no compensation securities on the last day of the most recently completed financial year.

No compensation securities were exercised by the directors or NEOs during the most recently completed financial year.

Stock Option Plan

Pinedale has the Pinedale Stock Option Plan that provides the Pinedale Board with the discretion to grant to directors, officers, employees and consultants of Pinedale non-transferrable Pinedale Options, provided that the Pinedale Shares reserved for issuance will not exceed 10% of the issued and outstanding Pinedale Shares at the time of the grant. The following summary of the Pinedale Stock Option Plan does not purport to be complete and is qualified in its entirety by reference to the Pinedale Stock Option Plan.

Eligible Participants.

Pinedale Options may be granted under the Pinedale Stock Option Plan to directors and senior officers of Pinedale or its subsidiaries, management company employees (collectively, the “**Directors**”), employees of Pinedale or its subsidiaries (collectively, the “**Employees**”) or consultants of Pinedale or its subsidiaries (collectively, the “**Consultants**”). The Pinedale Board, in its discretion, determines which of the Directors, Employees or Consultants will be awarded Pinedale Options under the Pinedale Stock Option Plan.

Number of Shares Reserved.

The number of Pinedale Shares which may be issued pursuant to Pinedale Options granted under the Pinedale Stock Option Plan may not exceed 10% of the issued and outstanding Pinedale Shares at the date of granting of Pinedale Options. Pinedale Options that are exercised, cancelled or expire prior to exercise continue to be issuable under the Pinedale Stock Option Plan.

Limitations.

Under the Pinedale Stock Option Plan, the aggregate number of Pinedale Options granted to any one individual in a 12-month period must not exceed 5% of the issued and outstanding Pinedale Shares, calculated on the date the Pinedale Option is granted. The aggregate number of Pinedale Options granted to any one Consultant in a 12-month period must not exceed 2% of the issued and outstanding Pinedale Shares, calculated at the date the Pinedale Option is granted. The aggregate number of Pinedale Options granted to all persons retained to provide investor relations

services to Pinedale (including consultants and employees or directors whose role and duties primarily consist of providing investor relations services) must not exceed 2% of the issued and outstanding Pinedale Shares in any 12-month period, calculated at the date a Pinedale Option is granted to any such person.

Term of Options.

Subject to the termination and change of control provisions noted below, the term of the Pinedale Options granted under the Pinedale Stock Option Plan is determined by the Pinedale Board and may not exceed ten years from the date of grant.

Exercise Price.

The exercise price of the Pinedale Options granted under the Pinedale Stock Option Plan is determined by the Pinedale Board, provided that it is not less than the discounted market price, as that term is defined in the TSXV policy manual or such other minimum price as is permitted by the TSXV in accordance with the policies in effect at the time of the grant, or, if the Pinedale Shares are no longer listed on the TSXV, then such other exchange or quotation system on which the Pinedale Shares are listed or quoted for trading. The exercise price of Pinedale Options granted to insiders may not be decreased without disinterested Pinedale Shareholder approval at the time of the proposed amendment.

Vesting.

All Pinedale Options granted pursuant to the Pinedale Stock Option Plan will be subject to such vesting requirements as may be prescribed by the TSXV, if applicable, or as may be imposed by the Pinedale Board.

Termination.

Any Pinedale Options granted pursuant to the Pinedale Stock Option Plan will terminate upon the earliest of:

- (a) the end of the term of the Pinedale Option;
- (b) on the date the holder ceases to be eligible to hold the Pinedale Option (the “**Cessation Date**”), if the Cessation Date is as a result of dismissal for cause or regulatory sanction;
- (c) one year from the date of death or disability, if the Cessation Date is as a result of death or disability;
- (d) on such other date as fixed by the Board, provided that the date is no more than one year from the Cessation Date, if the Cessation Date is as a result of a reason other than death, disability or cause; or
- (e) if no date is set by the Pinedale Board under (d), 90 days from the Cessation Date, if the Cessation Date is as a result of a reason other than death, disability or cause.

Pinedale Option Agreements

There are currently no outstanding option agreements for Pinedale as of the date of this Filing Statement.

Employment, Consulting and Management Agreements

Pinedale did not have any contracts, agreements, plans or arrangements that provides for payments to a director or NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Pinedale or a change in an NEO’s responsibilities during the most recently completed financial year ended 2020.

Oversight and Description of Director and Named Executive Officer Compensation

The objective of Pinedale's compensation program is to compensate the directors and executive officers for their services to Pinedale at a level that is both in line with Pinedale's fiscal resources and competitive with companies at a similar stage of development.

Pinedale compensates its directors and executive officers based on their skill, qualifications, experience level, level of responsibility involved in their position, the existing stage of development of Pinedale, Pinedale's resources, industry practice and regulatory guidelines regarding executive compensation levels.

The Pinedale Board has implemented three levels of compensation to align the interests of the directors and executive officers with those of the Shareholders. First, executive officers may be paid a monthly consulting fee or salary. Second, the Pinedale Board may award executive officers long term incentives in the form of stock options. Finally, and only in special circumstances, the Pinedale Board may award cash or share bonuses for exceptional performance that results in a significant increase in Shareholder value. Pinedale does not provide medical and dental benefits, pension or other benefits to the directors and executive officers.

The Chief Executive Officer is directly responsible for the financial resources and operations of Pinedale. In addition, the Chief Executive Officer and Pinedale Board from time to time determine the stock option grants to be made pursuant to Pinedale's Plan. Previous grants of stock options are taken into account when considering new grants. The Pinedale Board awards bonuses at its sole discretion. The Pinedale Board does not have pre-existing performance criteria or objectives.

Compensation for the most recently completed financial year should not be considered an indicator of expected compensation levels in future periods.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table sets out information as at the end of Pinedale's most recently completed financial year with respect to compensation plans under which equity securities of Pinedale are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by Shareholders	Nil	N/A	11,247,211
Equity compensation plans not approved by Shareholders	Nil	N/A	N/A
Total:	Nil	N/A	11,247,211

Note:

(1) In connection with the execution of the Share Transfer Agreement and LOI, the outstanding 1,314,064 stock options of Pinedale were cancelled.

Interest of Informed Persons In Material Transactions

Other than as indicated below, since the commencement of Pinedale's most recently completed financial year, no informed person (a director, officer or holder of 10% or more of Pinedale Shares) or nominee for election as a director

of Pinedale or any associate or affiliate of any informed person or proposed director had any interest in any transaction that has materially affected or would materially affect Pinedale or any of its subsidiaries. As disclosed under “*Approval of Disposition of Assets*” Mr. J. Bradley Windt and Mr. Donald Sharpe, former directors and officers of Pinedale, are parties to the Share Transfer Agreement. Mr. Gordon Nielsen, a director of 0970831, declared his interest in the Share Transfer Agreement and abstained from voting on the Asset Disposition Transaction.

Management Contracts

Management functions of Pinedale or any of its subsidiaries are not to any substantial degree performed by anyone other than by the directors or executive officers of Pinedale.

Legal Proceedings

There are no actual or pending material legal proceedings to which Pinedale is a party or to which any of its assets is subject. Management of Pinedale is not aware of any such legal proceedings contemplated against Pinedale.

Auditor, Transfer Agent and Registrar

Auditor

The auditors of Pinedale are MNP LLP (“**MNP**”) whose offices are at Suite 2200, 1021 West Hastings Street, Vancouver, British Columbia, V6E 0C3. MNP was appointed auditors of the Pinedale effective February 26, 2016.

Escrow Agent and Registrar

The transfer agent and registrar for the Pinedale Shares is Computershare Trust Company of Canada (“**Computershare**”), having a head office at 510 Burrard St, Vancouver, BC, V6C 3B9.

Arm’s Length Transaction

The Merger is not a Non-Arm’s Length Transaction in accordance with the policies of the TSXV.

Material Contracts

Pinedale has not entered into any material contracts, except in the ordinary course of business, other than the following:

1. the Merger Agreement;
2. the Amended Merger Agreement;
3. the Second Amended Merger Agreement;
4. the Subscription Receipt Agreements;
5. Share Transfer Agreement;
6. Surplus Escrow Agreement; and
7. the Pinedale Promissory Note (as amended).

Copies of the material contract will be available for inspection without charge at the registered and records office of Pinedale at 550 Burrard Street, #2900, Vancouver, BC V6C 0A3, during ordinary business hours from the date hereof until the completion of the Merger and for a period of thirty (30) days thereafter. Copies of these material contracts are also available under Pinedale’s profile on the SEDAR website at www.sedar.com.

PART III - INFORMATION CONCERNING FLAVOCURE

Name and Incorporation

Flavocure Biotech, Inc. is a private company incorporated on October 4, 2018 under the DGCL in the state of Delaware and the address of Flavocure's registered office is 701 East Pratt Street, Baltimore, MD 21202.

Intercorporate Relationships

Flavocure has no material, wholly-owned subsidiaries.

History and General Development of the Business

Flavocure’s operations are based in Baltimore, Maryland. Flavocure aims to be a leader in the transformation of natural products into substances providing cures for certain cancers. Flavocure is primarily involved in the discovery, development and commercialization of novel therapeutics used in the treatment of cancer and the treatment of cancer indications.

Prior to the incorporation of Flavocure, Flavocure Biotech LLC (“**FBL**”) filed two patent cooperation treaty patent applications and entered the US national stage with two domestic filings. A decision was made by the management of FBL not to pursue foreign filings because of limited funding at the time and exclusivity protection provided by the European Union of 7-10 years regarding the cancers that FBL was developing treatments for under the Orphan Drug Designation program.

On October 27, 2018, Flavocure and FBL entered into a license agreement providing Flavocure with the exclusive rights to develop and commercialize technologies covered by certain patents owned by FBL for human medical and veterinary uses as a therapeutic and/or prophylactic treatment of acute myeloid leukemia, pancreatic cancer, and/or glioblastoma cancer. On March 27, 2019 Flavocure and FBL entered into a revised license agreement (the “**Revised License Agreement**”) superseding the previous agreement. The Revised License Agreement is non-arms length in nature. Pursuant to the Revised License Agreement, FBL agreed to assign certain rights to Flavocure upon the completion of the issuance of warrants to purchase 75,000 Flavocure Shares (the “**Denning Warrants**”) to Denning Growth Fund. Upon the issuance of the Denning Warrants, Flavocure and FBL entered into an assignment agreement (the “**Assignment Agreement**”) dated September 22, 2019 pursuant to which FBL assigned all “Licensed Patent Rights”, “Licensed Technology” and “Licensed Trademarks” (as those terms are defined in the Assignment Agreement) to Flavocure, including the trademarks “FLAVOCURE” and “CRESOROL”, as well as the following license patent rights (the “**License Patent Rights**”):

Application # Patent #	Description	Filing Date	Inventors	Status
PCT/US15/62331	Therapeutic agents containing Cannabis Flavonoid derivatives targeting kinases, sirtuins and oncogenic agents for the treatment of cancers	November 24, 2015	Henry Lowe, Ngeh Toyang	Published
PCT/US16/66343	Therapeutic agents containing Cannabis Flavonoid derivatives targeting kinases, sirtuins and oncogenic agents for the treatment of cancers	December 13, 2016	Henry Lowe, Ngeh Toyang	Published
15/567,118 Patent #10,398,674	Therapeutic agents containing Cannabis	October 17, 2017	Henry Lowe, Ngeh Toyang	Published

	Flavonoid derivatives targeting kinases, sirtuins and oncogenic agents for the treatment of cancers			
15/778,899	Therapeutic agents containing Cannabis Flavonoid derivatives targeting kinases, sirtuins and oncogenic agents for the treatment of cancers	May 24, 2018	Henry Lowe, Ngeh Toyang	Published

The term of the license concludes on a country-by-country basis on the expiry of the such patents in each country.

Pursuant to an assignment and assumption agreement to be made effective at Closing between FBL and Flavocure (the “**Closing Assignment Agreement**”), FBL intends to grant, assign, transfer and set over to Flavocure all of FBL’s right, title, benefit and interest in and to the License Patent Rights and other materials related to the development, manufacture and/or commercialization of Cresorol and Caflanone. See “*Significant Acquisitions and Dispositions*”.

The lead inventors includes Dr. Henry Lowe Executive Chairman and Dr. Ngeh Toyang, CEO and Interim Chief Scientific Officer. The team has been able to put together a very strong IP portfolio for the company and new IP has been identified that will be filed in 2021.

Below is a historical overview of the general development of the business over the past three recently completed financial years:

2018

- On October 4, 2018, Flavocure was incorporated as a C-corp in the state of Delaware. At this time the principal head office was also setup at Baltimore, Maryland.
- On October 17, 2018, Flavocure acquired a license from FBL a Maryland Limited Liability Corporation, which is related by common directors, under which FBL granted Flavocure exclusive rights to develop and commercialize technologies covered by certain patents owned by FBL for human medical and veterinary uses as a therapeutic and/or prophylactic treatment of acute myeloid leukemia, pancreatic cancer, and/or glioblastoma cancer. The term of the license concludes on a country-by-country basis on the expiry of the such patents in each country.
- On October 15, 2018, Flavocure signed a memorandum of understanding with Harvard Global Health Catalyst to develop high impact collaboration in phytomedicine with focus on transforming the medicinal properties of natural products into new cures for cancer.
- On December 10, 2018, Flavocure entered into a project contract document (the “**Eurofin Agreement**”), with Eurofins Advinus Limited (“**Eurofins**”) to initiate CMC and IND enabling preclinical studies for Caflanone and to conduct Phase 1 clinical trials and, if supported, Phase 2 of a proof of concept clinic studies. In accordance with the terms of the project contract document and in consideration of USD\$876,000, Eurofins designed and conducted a series of toxicological and safety pharmacology investigations as per regulatory requirements for successful first in human approvals. charged with synthesizing the molecule and running all the safety studies.

2019

- In January 2019, Dr. Tom Lang joined Flavocure as Vice President for Regulatory Affairs and Quality. Dr. Lang was assigned the responsibility of ensuring the successful completion of the IND enabling studies.

- On April 15, 2019, Flavocure, Brigham (a not-for-profit Massachusetts corporation doing business as the Massachusetts General Hospital) and Dana-Farber Cancer Institute, Inc. (a not-for profit Massachusetts corporation) (“**Dana-Faber**”), entered into a sponsored research agreement (“**SRA**”), to investigate the efficacy of the loaded nanoparticles described and claimed in U.S. Patent Application No. 16/090,315 with Flavocure’s compounds. The SRA was amended on December 14, 2019, January 14, 2021 and February 10, 2021 between the parties to increase the budget for the research and extend the term of the SRA.
- On April 15, 2019, FBL, Brigham and Dana-Farber, entered into an exclusive option agreement (the “**Option Agreement**”) for an agreed upon period which gives FBL an exclusive right to negotiate a world wide, royalty-bearing licence under certain patent rights of Bringham and Dana-Faber in the field of flavonoid delivery for the treatment of cancer, cancer pain and neurodegenerative diseases for a period of 24 months with an option to extend the period for an additional 12 months upon the payment of an option fee equal to \$10,000. The Option Agreement will be assigned to Flavocure in connection with the Closing Assignment Agreement.

2020 and Recent Developments

- On various dates between January 9, 2020 and June 26, 2020 Flavocure received a total of \$1,565,000 from proceeds of 12% convertible debentures issued by the Flavocure. Additionally, previously outstanding notes payable issued by Flavocure in 2019 which were due to be repaid on March 31, 2020 were also converted in to convertible debentures. Flavocure continues to be financed by the issuance of convertible debentures and anticipates the completion of the Brokered Private Placement and Non-Brokered Private Placement.
- Due to the COVID-19 pandemic, the activities of the Harvard Global Health Catalyst have been significantly curtailed. The memorandum of understanding with Harvard Global Health Catalyst expired October 15, 2020 without extension and Flavocure intends to pursue the renewal of the contract at a future date.
- On January 15, 2021, FBL the Bringham and Dana-Faber executed the first amendment to the Option Agreement extending the term of the Option Agreement to a period of 36 months from April 15, 2019.
- On June 1, 2020, Flavocure entered into a loan agreement with Vilotos Pharmaceuticals, Inc. (“**Vilotos**”), a related party to Flavocure whereby Flavocure advanced Vilotos USD\$100,000. In accordance with the terms of the loan agreement, the advance shall not bear interest and shall be repaid at any time, without penalty.
- Effective January 15, 2021, Flavocure entered into a second amendment agreement to the SRA to, among other things, add Dr. Mike Makrigiorgos as a DFCI Investigator, reduce the percent effort of the Principal Investigator (as defined in the SRA) at Brigham by modifying the budget to \$214,800 and extending the length of the document to three years from its original effective date.
- FBL is the party to a lease agreement (the “**Lease**”) at the Harbor Launch, Institute of Marine and Environmental Technology run by the University of Maryland Baltimore County. Payment is on a monthly basis in advance. The lease is renewed on an annual basis and the next renewal expires in February 2022. Upon completion of the Transaction it is anticipated that the Lease will be assigned to Flavocure in connection with the Closing Assignment Agreement.

Significant Acquisitions and Dispositions

Vilotos

During the third quarter of 2020, Flavocure acquired a 10% interest in Vilotos, a biotechnology business and related party to Flavocure, developing vaccine products. Flavocure granted Vilotos certain rights related to its technology. Flavocure also agreed to provide Vilotos an interest free loan of up to \$100,000. See “*Information Concerning Flavocure – History and General Development – 2020 and Recent Developments*”. **The transaction is a related party transaction as Flavocure and Vilitos have common directorship.**

License Assignment and Assumption

Pursuant to the Closing Assignment Agreement, FBL intends to grant, assign, transfer and set over to Flavocure all of FBL's right, title, benefit and interest in and to the License Patent Rights and other materials related to the development, manufacture and/or commercialization of Cresorol and Caflanone, as well as the Option Agreement and Lease. **The transaction is a related party transaction as Flavocure and FBL have common directorship.**

Narrative Description of the Business

General

Flavocure is a clinical-stage oncology company dedicated to the science of harnessing the medicinal properties of natural products and focused on the identification of flavonoid phytochemical properties of plants. In collaboration with prestigious research institutions, Flavocure has discovered therapeutic molecules and generated preliminary data indicating activity against validated kinase targets. Flavocure has two leading drug candidates, Cresorol and Caflanone which are being studied for the treatment of pancreatic cancer, acute myeloid leukemia and glioblastoma. Flavocure's lead drug candidate is Canflanone which is being advanced for a planned Phase 1 clinical trial for pancreatic cancer. Caflanone received U.S. FDA "Orphan Drug" designation in 2019 for pancreatic cancer and Creserol received "Orphan Drug" designation in 2017 for acute myeloid leukemia.

Following the assignment of the patent application rights to Flavocure pursuant to the Assignment Agreement and the issue of the first patent to Flavocure in 2019 (claiming pancreatic cancer since the examiner restricted the applicants to elect only 1 type of cancer per application), Flavocure has since filed two divisional applications covering brain (16/550866) and covering leukemia, lymphoma and multiple myeloma (application 17/083716) based on new data generated by the company. See "*Information Concerning Flavocure – History and General Development of the Business – 2018*".

Flavocure has also synthesized a number of derivatives of Caflanone in an attempt to enhance solubility and bioavailability. This has included making salts and prodrug forms of Caflanone. The new derivatives, salts and prodrugs will be evaluated and appropriate IP protection filed. Since 2018, Flavocure has spent over \$400,000 on formulation and synthesis studies. All the formulation must be subjected to efficacy and pharmacokinetics studies be a suitable formulation or derivative is identified.

Principal Products

Flavocure obtained FDA 'Orphan Drug' designation for the drugs Cresorol and Caflanone, which have been designated for the treatment of acute myeloid leukemia and pancreatic cancer, respectively. Flavocure was recently issued a United States Patent for the treatment of pancreatic cancer with its lead drug, Caflanone (also known as FBL-03G). Flavocure is also committed to developing these drugs for the indication of glioblastoma multiforme, an aggressive and deadly form of brain cancer.

Caflanone, Flavocure's flagship drug, has been derived from an endemic strain of cannabis sativa found in Jamaica. Caflanone is a multikinase inhibitor with selective activity against validated oncogenic kinases and pro-inflammatory cytokines. Dr. Henry Lowe, Adjunct Professor, University of Maryland Medical School and University of the West Indies Medical School, discovered this rare form of flavonoid rich phytomedicinal material. The Flavocure research team developed a proprietary synthesis of the bioactive material, which is now available in commercial quantities for use in human clinical studies. As a result of the proprietary synthesis, Flavocure can produce the product by entirely synthetic manufacturing. The drug delivery payload has been designed to utilize a nano-drone technology developed by Harvard Medical School and Flavocure has access to it through the Option Agreement for its use in the field of flavonoid delivery for the treatment of cancer, cancer pain and neurodegenerative diseases.

Caflanone is a flavonoid derived from cannabis sativa L and when administered, is released from smart biomaterial with prospective abilities to cause tumor cell death with or without radiotherapy and to generate tumor associated antigens. The antigens are taken up by antigen presenting cells to induce T-Cell activation in the lymph nodes, which if successful, may lead to systemic response with inhibition of distant untreated tumors or metastasis. The drug, in

preclinical studies, exhibited positive results in difficult to treat animal models of pancreatic cancer contributing to clinical optimism in the medical and research community; and, a high level of interest from the patient community. Flavocure plans to enter clinical trials for Caflanone following completion of the IND enabling studies and submission to the FDA for approval. Flavocure products are entering Phase 1 clinical development and not yet in distribution or generating revenue. The funds available upon completion of the Transaction will be used to finalize its IND studies and to file the appropriate documents with the FDA to initiate Phase 1 clinical trials in patients with pancreatic cancer.

The major components of Flavocure's pipeline development including clinical trials and anticipated costs are as follows:

- Sponsored research with Dana-Farber associated with Harvard Medical School preparing Caflanone for clinical trials and further validation (\$200,000);
- Production of investigation drug product (\$60,000); and
- Patient recruitment, care, sample collection, analysis and data analysis (\$1,000,000).

Cresorol is being developed for the treatment of acute myeloid leukemia. Cresorol is a flavonoid and an inhibitor of FLT3 (ITD) and other kinase mutation common in leukemia. Flavocure will increase efforts to develop Cresorol once Caflanone reaches Phase 2 clinical trials and additional funds are raised in order to incur the research cost.

Flavocure utilizes a combined approach of outsourcing certain research activities to both academia and contract research organizations. Flavocure's key academic partner is Dana-Farber, Harvard Medical School. The development of a therapeutic is regulated by the US FDA in the United States and by Health Canada in Canada. In connection with the development of a therapeutic, the first step is for Flavocure to submit an IND application to initiate Phase 1 clinical trials. In Phase 1 (approximately 1 to 2 years in length), the candidate drug is tested in people for the first time and the successful completion of the Phase 1 clinical trial will establish the safety of the lead molecule of the company.

Contingent upon successfully completion of Phase 1 trials, Phase 2 trials and Phase 3 trials may undertaken. In Phase 2 trials, researchers evaluate the candidate drug's effectiveness within a set disease or condition under study and to examine the possible short-term effects and risks associated with the candidate drug. Conditional upon success of Phase 2, a Phase 3 study of the candidate in a larger sample of patients is undertaken to generate statistically significant data about safety, efficiency and overall benefit and risk of the drug.

Upon successful completion of each trial phase, requested approval to market the drug may be made to the FDA, to receive a New Drug Application (NDA) approval from the US FDA or Health Canada before its product can be commercialized. See "*Market*".

On March 27, 2019, Flavocure and FBL entered into a Revised License Agreement superseding the previous license agreement dated October 27, 2018. This Revised License agreement grants Flavocure exclusive, royalty-free rights to develop and commercialize technologies covered by certain patents owned by FBL for human medical and veterinary uses as a therapeutic and/or prophylactic treatment of acute myeloid leukemia, pancreatic cancer, and/or glioblastoma cancer. The Revised License Agreement is non-arms length in nature. The Revised License Agreement provides the obligation to use commercially reasonable efforts to develop and commercialize the license, the assumption of FBI accounts payable of US\$560,841, is royalty free in nature, provides Flavocure the right to sublicense, and other customary indemnifications, obligations and termination rights.

Pursuant to the Revised License Agreement, FBL agreed to assign certain rights to Flavocure upon the completion of the issuance of the Denning Warrants to Denning Growth Fund, which were subsequently assigned pursuant to the Assignment Agreement dated September 22, 2019. Pursuant to the Assignment Agreement, FBL assigned all "Licensed Patent Rights", "Licensed Technology" and "Licensed Trademarks" (as those terms are defined in the Assignment Agreement) to Flavocure, including the trademarks "FLAVOCURE" and "CRESOROL", as well as certain license patent rights. Pursuant to the Revised License Agreement, Flavocure assumed certain debts of FBL for purchases made on credit and loans payable totalling US\$560,841.46.

Pursuant to the Revised License Agreement, Flavocure was granted full control and authority over the development and commercialization of any pharmaceutical product for human medical or veterinary therapeutic or prophylactic treatment of acute myeloid leukemia (AML), pancreatic cancer, or glioblastoma cancer (the “**Licensed Product**”) including, without limitation, (a) all pre-clinical development activities, including any pharmaceutical development work on formulations or process development relating to any Licensed Product, (b) all activities related to human clinical trials, including all clinical studies, (c) all activities relating to manufacture and supply of all Licensed Products (including all required process development and scale up work with respect thereto), (d) all marketing, promotion, sales, distribution, import and export activities relating to any Licensed Product, and (e) all activities relating to any regulatory filings, registrations, applications and regulatory approvals relating to any of the foregoing. Flavocure is permitted to sublicense the any portion of its rights granted pursuant to the Revised License Agreement upon providing notice to FBL.

Effective at Closing, the Licensed Products will be granted, assigned, transferred and set over to Flavocure pursuant to the Closing Assignment Agreement.

During the third quarter of 2020, Flavocure acquired a 10% interest in Vilotos, a biotechnology business and related party to Flavocure, developing vaccine products. Flavocure granted Vilotos certain rights related to its technology. Flavocure also agreed to provide Vilotos an interest free loan of up to \$100,000.

Operations

Flavocure is developing a series of pharmaceutical active molecules for the treatment of selected cancers. Originally isolated from plants, Flavocure has developed a schema for the laboratory synthesis of these flavonoids. The synthesized molecule being developed for the treatment of pancreatic is further formulated in appropriate carriers and loaded into smart radiotherapy biomaterial for implantation into tumors. As Flavocure currently owns no manufacturing equipment., it has entered into a contract December 10, 2018 with a third party manufacturer, Eurofins, which has the necessary Good Manufacturing Practice (“**GMP**”) certification to be able manufacturer pharmaceutical products. Many other activities are outsourced and the company currently has no reason to maintain major laboratory of manufacturing equipment.

Flavocure continues to collaborate with Eurofins although the Eurofins Agreement has concluded and studies have been completed for the filing of IND with the FDA. Other activities remain in progress in the areas of optimization, scaling up and synthesis of additional GMP material for clinical use and the improvement of solubility of Caflanone required for formulations that could easily be administered by injection, inhalation or orally.

Drug research and development in the pharmaceutical industry requires an interdisciplinary team with complimentary skills. The required skills include: pharmacognosists, pharmacologists, molecular biologists, medicinal chemists, medical doctors and persons with pharmaceutical business development expertise. The chemical intermediates required for the synthesis of flavonoids are commercially available from major chemical companies. The finished product is packed into glass vials which are also routinely used by other companies and there is a steady supply of the required glassware from different suppliers. Flavocure is aware of the importance of certain intangible properties including licenses, patents and trademarks. These intangible properties give exclusivity and protection to the intellectual property of the company. In addition, Flavocure has received ‘Orphan Drug’ Designations from the US FDA which will grant additional exclusive protection to the company for the commercialization of Caflanone against the pancreatic cancer and Cresorol against acute myeloid leukemia. Flavocure has reasonable assurance that all current contracts with collaborators involving the implementation of it clinical trials will go as planned. However, the effect of the current global COVID-19 virus pandemic has led to a slow down in the initiation some clinical trials. As such, it is possible that the company can experience some delays but not a termination. Flavocure already has the GMP product to be used in the clinical trial.

Flavocure maintains a pool of seven key employees and the number will be increased to between seven and twelve employees once Flavocure initiates clinical trials. Flavocure also utilizes the services of several consultants and contract research organizations. There is currently no aspect of the operations of the company that could not be carried out in United States or Canada.

Market

There is a major demand for a new treatment for pancreatic cancer as there is currently no effective treatment for the over 60,000 patients that are diagnosed with pancreatic cancer in the United States and Canada annually.

According to “**Pancreatic Cancer - Global Market Outlook (2017-2026)**” published in March 2021, the Global Pancreatic Cancer market accounted for \$1.9 billion in 2017 and is expected to reach \$4.7 billion by 2026 growing at a compound annual growth rate of 10.6%. More than 50% of the therapeutic market is in the United States. Pancreatic Cancer is a highly lethal disease, for which mortality closely parallels incidence. In preclinical studies, the lead molecule of the company exhibited potent inhibitory activity against a difficult to treat mouse model of pancreatic cancer.

Flavocure will need to file and receive a New Drug Application (NDA) approval from the US FDA or Health Canada before its product can be commercialized for clinical use. Once all regulatory milestones are achieved, Flavocure and the Resulting Issuer intend to initially market its products in the United States and Canada.

Upon completion of the Closing Assignment Agreement and as a result of the Flavocure’s patent portfolio, Flavocure will have the exclusive right to Caflanone, Cresorol and their derivatives in the United States and Flavocure is seeking allowance in other jurisdictions, including Canada, Europe and Australia. See “*Patent Protection*”.

Flavocure has selected the United States as the primary market of interest in connection with the FDA’s designated Orphan Drug Act which encourages and provides incentive to drug companies to undertake the development of orphaned drugs that target doses affecting fewer than 200,000 people in the United States. In connection with the FDA’s ‘Orphan Drug’ designation of Caflanone, exclusive rights and cost benefits are made available to Flavocure, including tax credit, exclusive market eligibility post approval, new drug applications waivers, protocol assistance and decreased drug approval periods.

Flavocure’s Caflanone is currently preparing for Phase 1 clinical trials. There are currently only four approved drugs by the FDA for pancreatic cancer. Given the high death rate in connection with pancreatic cancer, successful and large market application are available in the event of clinical and regulatory success. See “*Principal Products*”.

Marketing Plans and Strategies

Flavocure plans to initiate human clinical studies (Phase 1 and 2) to establish the efficacy of Caflanone. Flavocure will attend and present company updates at major conferences and will allocate at least 5% of its operational expense to marketing or public relationship related activities. Flavocure will demand licensing upfront and royalty payments in accordance to currently acceptable rates in the industry. Flavocure will eventually market its products through partnership and agreements with other entity, but in the immediate term Flavocure’s primary goals are for the continued development and testing of its products.

Competitive Conditions

There are presently many treatment options for pancreatic cancer, such as surgery to remove part or all of the pancreas, however this option is only available to 20% of patients as generally the cancer is too advanced for surgery when it is discovered. There are also significant side effects including diabetes associated with removal of the pancreas, including radiation therapy and chemotherapy where drugs are used to destroy cancer cells. Several drugs have been approved for the treatment of pancreatic cancer including Capecitabine, Erlotinib, Fluorouracil, Gemcitabine, Irinotecan, Leucovorin, Nab-paclitaxel, Nanoliposomal irinotecan and Oxaliplatin. These drugs are used alone or in combinations of two or more but as more drugs are used the side effects increase. In addition, targeted therapies can target the cancer’s specific genes, proteins, or the tissue environment that contributes to cancer growth and survival. This type of treatment blocks the growth and spread of cancer cells and limits damage to healthy cells. Several drugs have been approved for these targeted treatments including Erlotinib, Olaparib and Larotrectinib. Further, immunotherapy is designed to boost the body’s natural defenses to fight the cancer. It uses materials made either by the body or in a laboratory to improve, target, or restore immune system function. Immune checkpoint inhibitors, which include anti-PD-1 antibodies such as pembrolizumab (Keytruda), are an option for treating pancreatic cancers that have high microsatellite instability (MSI-H) which is associated with approximately 1% to 1.5% of pancreatic

cancers. Immuno-therapeutics are viewed as the future of cancer therapy. Even though no immunotherapy has so far demonstrated efficacy against human pancreatic cancer, should one be successfully be developed in the future, it will pose competition to the product of the company.

According to “**Evolution of novel therapeutic options for pancreatic cancer**” published in February 2019 (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6387849/>) “approaches towards developing therapies for pancreatic cancer have evolved tremendously over last decade. Research has shown that apart from the inherent drug resistance, drug delivery to pancreatic cancer has also posed a major challenge. The extensive desmoplastic stroma of pancreatic cancer is believed to create inordinately high interstitial fluid pressures leading to vascular collapse and substantial barrier to perfusion of chemotherapeutics, thus creating an additional layer of protection for pancreatic cancer. Recent research is focused not only on understanding the biology of and developing strategies to target cancer cells, but also targeted towards depletion of stroma in order to ensure better delivery of chemotherapeutic compounds to the tumor”.

Abraxane by Celgene is another therapeutic drug that was launched in the United States. and Europe in 2013 and 2014, respectively. Abraxane was the first drug to be approved for the pancreatic cancer treatment in almost a decade, and it is aggressively competing with existing drugs. A few pipeline drugs are expected to be launched in the near to medium term.

Major players operating in the market include Amgen, Inc., Genentech, Inc., Abraxis BioScience, LLC (Celgene Corporation), Pfizer Inc, Eli Lilly and Company, Novartis AG, and Threshold Pharmaceutic. Flavocure’s competitor is Eli Lilly who is the primary manufacturer of the current standard of care for pancreatic cancer.

Expert Reports

No expert reports have been prepared in connection with the Merger.

Employees

As of the date of this filing statement, Flavocure has seven direct employee and several external consultants engaged by Flavocure. Flavocure’s business is carried out chiefly by its executives and external consultants, who are retained by Flavocure pursuant to formal or informal employment or consulting agreements.

Proprietary Protection

Patents

FBL and certain other individuals involved with Flavocure hold intellectual property (“IP”) rights consisting of patents on the treatment of cancer with Caflanone, Cresorol and their derivatives. Currently, Flavocure’s main patents are issued in the United States and Flavocure is seeking allowance in other jurisdictions, such as Canada, Europe and Australia. Other patents are pending or provisional. It is anticipated that the below patents will be assigned to Flavocure at or concurrently with closing of the Transaction.

IP Type	Country	Number	Filing Date	Status	Duration	Description
Patent	USA	16/697,894	Nov 27, 2019	Pending	No current duration date	Therapeutic agents containing Cannabis Flavonoid derivatives targeting kinases, sirtuins and oncogenetic agents for the treatment of cancer.
Patent	USA	10,398,674	October 17, 2017	Patented	August 26, 2035	Therapeutic agents containing Cannabis Flavonoid derivatives targeting kinases, sirtuins and oncogenetic agents for the treatment of cancer.

IP Type	Country	Number	Filing Date	Status	Duration	Description
Patent	USA	16/550,866	Feb 20, 2020	Pending	No current duration date	Therapeutic agents containing Cannabis Flavonoid derivatives targeting kinases, sirtuins and oncogenetic agents for the treatment of cancer.
Patent	USA	17/083,716	October 29, 2020	Pending	No current duration date	Therapeutic agents containing Cannabis Flavonoid derivatives targeting kinases, sirtuins and oncogenetic agents for the treatment of Multiple myeloma, Leukemia and Lymphoma.

Trademarks and Domains

Flavocure has one registered trademark for “Flavocure” and there are no pending applications for trademarks. Additional trademark filings are being considered in the USA and Europe. Further, the domains www.flavocure.com are owned by Flavocure. Flavocure’s vision is to further strengthen its IP portfolio by constant investment and innovation in its research and development programs and anticipates further development and patent submissions. Flavocure’s assigned IP portfolio is exclusively owned solely by the Flavocure.

Confidentiality

Flavocure requires all parties receiving or potentially receiving confidential information from Flavocure any including trade secrets, know how, internal strategy, etc., to sign a confidentiality and non-disclosure agreement. All agreements are multi-year agreements and are kept current for as long as the parties are in discussions or collaboration. Employees and service providers (e.g., contractors) are also required to sign confidentiality and non-disclosure agreements.

Lending

Other than the Pinedale Promissory Note, Flavocure is not involved with any lending operations and has no policy or restriction in this regard.

Foreign Operations

Other than currency, Flavocure has not identified any challenges that may affect operations.

Selected Consolidated Financial Information

Financial Information

The following table summarizes certain financial information from Flavocure for the fiscal years ended December 31, 2020, 2019 and 2018, based on the financial statements of Flavocure attached to this Filing Statement. Flavocure’s financial statements are presented in USD and are prepared in accordance with IFRS. The summary of selected financial information should be read in conjunction with the audited financial statements of Flavocure attached hereto as Exhibit “A”:

	Year Ended December 31, 2018 (audited)	Year Ended December 31, 2019 (audited)	Year Ended December 31, 2020 (audited)
Net sales or total revenues	-	-	-
Net income or loss, in total	(347,439)	(1,881,695)	(2,101,216)
Total assets	659,346	640,357	1,011,384

Total Long-term Liabilities	-	-	-
Cash Dividends Declared	Nil	Nil	Nil

Management's Discussion and Analysis

Management of Flavocure has prepared Management Discussions and Analysis for the year ended December 31, 2020 is attached to this Filing Statement as Exhibit "B". The Management Discussions and Analysis should be read in conjunction with the audited financial statements of Flavocure.

Dividend Policy

Flavocure has not declared or paid any dividends or other distributions on its Flavocure Shares since the date of its incorporation. Flavocure currently expects to retain all future earnings for use in the operation and expansion of its business and does not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by the Flavocure Board, in its discretion, and will depend on a number of factors, including the Flavocure's earnings, capital requirements, overall financial condition and contractual restrictions. There can be no assurance that Flavocure will ever pay dividends under any circumstances.

Trends

Other than as disclosed in this Filing Statement, there are no current trends in Flavocure's business that are likely to impact Flavocure's performance.

Description of Securities

The authorized capital of Flavocure consists of an unlimited number of Flavocure Shares. As at the date of this Filing Statement, there are 1,000,000 Flavocure Shares issued and outstanding.

The holders of Flavocure Shares are entitled to receive notice of and to attend all meetings of the shareholders of Flavocure and to one vote per share at meetings of the Flavocure Shareholders. The Flavocure Shareholders are also entitled to receive dividends on Flavocure Shares as and when declared by the Flavocure Board. Flavocure shareholders are also entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among Flavocure's shareholders for the purpose of winding up its affairs, to share rateably in such assets of Flavocure as are available for distribution.

Debt Securities

Flavocure has issued 2,940 Flavocure Debentures, which are convertible into units of Flavocure at the Liquidity Event Price being USD \$25 per unit, each such unit comprising of one Flavocure Share and one Flavocure Warrant. Each Flavocure Warrant is exercisable to acquire a Flavocure Share at a price of USD \$25 for a period of five years from its closing date.

Consolidated Capitalization

The following table sets out the consolidated capitalization of Flavocure as at December 31, 2020 and as at the date of the Filing Statement, on an actual basis and on a pro forma basis as adjusted. The table should be read in conjunction with the audited consolidated financial statements of Flavocure, along with the related notes thereto and the associated Flavocure MD&A contained in this Filing Statement.

Designation of Security	Amount authorized or to be authorized	Amount outstanding as of the date of the most recent balance sheet contained in the Filing Statement	Amount outstanding as of the Filing Statement prior to giving effect to the Transaction
Flavocure Shares ⁽¹⁾	Unlimited	1,000,000	1,000,000
Flavocure Options ⁽¹⁾	N/A	85,000	87,000
Existing Flavocure Warrants ⁽¹⁾	N/A	75,000	75,000
Flavocure Debentures ⁽²⁾	N/A	2,690	2,940
Loan Capital	nil	nil	nil

Notes:

- (1) Not including Flavocure Shares or Flavocure Warrants to be issued upon the conversion of the Flavocure Debentures. The Flavocure Options and the Existing Flavocure Warrants have a exercise price of \$0.31 on a post-Transaction basis, and expiry dates of October 30, 2028 and March 31, 2024, respectively.
- (2) Flavocure Debentures are convertible into units of Flavocure comprising of one Flavocure Share and one Flavocure Warrant. See “Part III – Information Concerning Flavocure - Debt Securities”.

The deficit as at the date of Flavocure’s most recent balance sheet contained in this Filing Statement is USD\$4,330,350.

Prior Sales

The following table summarizes the issuances of Flavocure securities in the 12-month period prior to the date of this Filing Statement:

Description	Number of Securities Issued	Issue Price Per Security	Aggregate Issue Price	Nature of Consideration Received
Flavocure Debentures ⁽¹⁾⁽²⁾	2,940	USD \$1,000	USD \$2,940,000	Cash

Notes:

- (1) Each Flavocure Debenture is convertible into units of Flavocure which includes one Flavocure Share and one Flavocure Warrant. See *Part III – Information Concerning Flavocure - Debt Securities*.
- (2) As of April 30, 2021.

Stock Exchange Price

No stock prices are available as Flavocure does not currently trade on and has never had any of its securities listed on a stock exchange, quotation system or other securities market.

Executive Compensation

The following disclosure is presented in accordance with Form 51-102F6 - *Statement of Executive Compensation*.

For the purposes set out below a “Named Executive Officer” or “NEO” means:

- (a) Flavocure’s chief executive officer (“CEO”);

- (b) Flavocure’s chief financial officer (“CFO”);
- (c) each of Flavocure’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of Flavocure, nor acting in a similar capacity, at the end of that financial year.

For the financial year ended December 31, 2020, the Named Executive Officers of Flavocure were the following:

<u>Named Executive Officer</u>	<u>Position</u>
Dr. Ngeh Toyang	CEO
Anthony Deasey	CFO
Dr. Henry Lowe	Executive Chairman

Compensation Discussion and Analysis

Flavocure’s board of directors performs the duties of a compensation committee and is responsible for determining the compensation for the Named Executive Officers. Flavocure’s board of directors ensures that total compensation paid to the Named Executive Officers is fair, reasonable and consistent with Flavocure’s compensation philosophy.

Philosophy and Objectives

Flavocure’s compensation philosophy and objective is to provide competitive compensation to attract, retain and motivate qualified and experienced executives in order for Flavocure to achieve its strategic plan and budgets and to act in the interests of Flavocure by being financially responsible. Achievement of these objectives is expected to contribute to an increase in shareholder value of Flavocure.

Peer Group

Flavocure’s board of directors did not establish any quantifiable criteria during the periods ended December 31, 2019 with respect to base compensation payable, bonuses, director fees or the amount of equity compensation granted to Named Executive Officers or directors and did not benchmark against a peer group of companies.

Share-based and Option-based Awards, Stock Option Plan

Flavocure has not adopted a stock option plan. It is anticipated that the Resulting Issuer will adopt the Pinedale Stock Option Plan upon completion of the Transaction. As of the conclusion of the Transaction, an expected aggregate of 10% of the outstanding Resulting Issuer Shares, on a rolling basis, from time to time, will be reserved for issuance. See “*Information Concerning the Resulting Issuer – Stock Option Plan*”.

Summary Compensation Table

Below is the executive compensation disclosure for each of the Flavocure’s three most highly compensated executive officers, in addition to the Chief Executive Officer and Chief Financial Officer, for the financial years ended December 31, 2020 and 2019:

Table of compensation including compensation securities									
Name and position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-Equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Ngeh Toyang CEO	2020	142,500	Nil	Nil	Nil	Nil	Nil	Nil	142,500
	2019	142,500	Nil	Nil	Nil	Nil	Nil	Nil	142,500
Anthony Deasey CFO	2020	36,000	Nil	Nil	Nil	Nil	Nil	Nil	36,000
	2019	36,000	Nil	Nil	Nil	Nil	Nil	Nil	36,000
Henry Lowe Executive Chairman	2020	198,581	Nil	Nil	Nil	Nil	Nil	Nil	198,581
	2019	198,581	Nil	Nil	Nil	Nil	Nil	Nil	198,581

Outstanding share-based awards and option-based awards

Below is a table outlining each NEO for all awards outstanding at the end of the most recently completed financial year. This includes awards granted before the most recently completed financial year.

Name	Option-Based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Ngeh Toyang CEO	20,000	20.00 (USD)	October 30, 2028	Nil	Nil	Nil	Nil
Anthony Deasey CFO	1,000	20.00 (USD)	October 30, 2028	Nil	Nil	Nil	Nil
Henry Lowe Executive Chairman	15,000	20.00 (USD)	October 30, 2028	Nil	Nil	Nil	Nil

Pension Plan Benefits

Flavocure does not provide a pension to its directors or Named Executive Officers.

Termination and Change of Control Benefits for Employment and Consulting Contracts

On or prior to closing of the Transaction, Flavocure expects to enter into a consulting or employment agreement with each named executive officer or companies controlled by them, for the provision of executive services to Flavocure in their respective functions. The agreements are expected to contain provisions with respect to a base salary or fee (which will initially be in the amounts in the table described above), reimbursement of certain business-related expenses, annual bonus provisions, and participation in the option plan and any other incentive plan of Flavocure as it may enter into from time to time.

Other than as described below, there are no agreements, compensation plans, contracts or arrangements whereby a

NEO is entitled to receive payments from Flavocure in the event of the termination of the NEO's relationship with Flavocure.

Director Compensation

No cash compensation was paid to any director of Flavocure for the director's services as a director during the year ended December 31, 2020. Flavocure does not have a standard arrangement pursuant to which directors are compensated for their services in their capacity as directors. Flavocure has not granted any share-based awards or stock options to its directors.

Management Contracts

Other than as disclosed below, Flavocure is not party to any agreement whereby management functions of Flavocure is not to any substantial degree performed by anyone other than by the directors or executive officers of Flavocure.

Flavocure is party to a consultant agreement dated August 16, 2020 (the "**Swanson Agreement**") with Swanson Global Enterprises, Inc. ("**Swanson Co.**"). Pursuant to the Swanson Agreement, Flavocure has engaged Swanson Co. to provide certain finance, business development and capital market consulting services to Flavocure. As consideration for Swanson Co.'s services, Flavocure has agreed to pay Swanson a consultancy fee of USD \$15,000 per month and to reimburse Swanson Co. for all pre-approved expenses reasonably incurred in the performance of its services. The Swanson Agreement will remain in effect until the completion of the services or the earlier termination by Flavocure upon 30 days notice. Clark Swanson is the sole owner of Swanson Co.

Flavocure is party to a consulting agreement dated January 9, 2021 with Strategic Development Consulting ("**SDC**") pursuant to which Flavocure has retained SDC to perform regulatory consulting services for a term of one year. As consideration for SDC's services, Flavocure has agreed to pay SDC USD \$10,000 per month and to reimburse SDC for all pre-approved expenses reasonably incurred in the performance of its services. Thomas Lang is the sole owner of SDC.

Flavocure is party to a letter agreement dated December 28, 2018 (the "**Second Stage Agreement**") with Second Stage Bioadvisers LLC ("**Second Stage**") pursuant to which Flavocure has retained Second Stage to perform financial, accounting and corporate administration services customarily performed by the chief financial officer. As consideration for its services, Flavocure has agreed to pay Second Stage a fee of USD \$3,000 per month and to reimburse Second Stage for all pre-approved expenses reasonably incurred in the performance of its services. Additionally, Second Stage received a one time issuance of 5,000 Flavocure Options on January 1, 2019, vesting over a three-year term. The Second Stage Agreement is for a term of one year unless terminated earlier by either party upon 30 days notice. On March 25, 2021, Flavocure and Second Stage executed an amendment letter agreement effective January 1, 2020 extending, on a month-to-month basis, the terms of the Second Stage Agreement.

Indebtedness of Directors and Executive Officers

None of the Flavocure's directors or executive officers nor any of their respective associates is indebted to Flavocure or has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by Flavocure.

Non-Arm's Length Party Transactions Disclosure

None of the directors, officers or shareholders of Flavocure have had a material interest, direct or indirect, in any transactions in which Flavocure has participated within the five-year period prior to the date of this Filing Statement.

Legal Proceedings

There are no claims, actions, proceedings or investigations pending against Flavocure or, to the knowledge of Flavocure, threatened against Flavocure that, individually or in the aggregate, are material to Flavocure or would prevent or materially delay the consummation of the Transaction. Neither Flavocure nor its assets and properties is subject to any outstanding judgment, order, writ, injunction or decree that has had or would be reasonably expected

to have a material adverse effect on Flavocure or that would prevent or materially delay consummation of the Transaction. Since its incorporation, neither Flavocure nor its subsidiaries has had any penalties or sanctions imposed on it by, or entered into any settlement agreements with, a court or a securities regulator relating to securities laws.

Material Contracts

The only material contracts which the Flavocure has entered into in the past two years, or will enter into prior to the conclusion of the Transaction, other than in the ordinary course of business, are:

1. the Merger Agreement;
2. the Amended Merger Agreement;
3. the Second Amended Merger Agreement;
4. the Non-Brokered Subscription Receipt Agreement;
5. the Pinedale Promissory Note (as amended);
6. the Revised License Agreement;
7. the SRA;
8. the Assignment Agreement; and
9. the Closing Assignment Agreement.

Copies of these contracts may be inspected without charge during regular business hours at registered office is 701 East Pratt Street, Baltimore, MD 21202 until the closing of the Merger and for a period of 30 days thereafter.

PART IV – THE PROPOSED TRANSACTION

The Merger

The Merger Agreement dated October 6, 2020 is made between Pinedale, Pinedale Subco and Flavocure and provides for the Merger.

The purpose of the Merger is to effect an arm's length business combination of Pinedale and Flavocure. If all conditions precedent to the Merger are satisfied or waived, the Merger will be implemented whereby Flavocure will merge with Pinedale Subco, a wholly-owned subsidiary of Pinedale, in exchange for all of the issued and outstanding Pinedale Shares, thereby effecting the Transaction.

The Merger Agreement was amended effective January 31, 2021 and subsequently effective April 1, 2021 pursuant to which the parties, among other things, extending the date the Merger Agreement may be terminated in the event that the Transaction has not occurred from to June 30, 2021.

As a result of the Merger, Flavocure will effectively acquire Pinedale through the issuance of 73,381,876 Resulting Issuer Shares at a deemed price of CDN \$0.40 per share for aggregate deemed consideration of approximately CDN\$28,973,698, not including the Resulting Issuer Shares issuable pursuant to the Private Placement.

Copies of the Merger Agreement, Amended Merger Agreement and Second Amended Merger Agreement have been filed on SEDAR at www.sedar.com. The summaries of the Merger Agreement, Amended Merger Agreement and Second Amended Merger Agreement contained in this Filing Statement are qualified in its entirety by reference to the full version of the Merger Agreement, Amended Merger Agreement and Second Amended Merger Agreement.

Private Placement

In connection with the Transaction, Pinedale has agreed to conduct the Private Placement to raise CDN\$3,800,000.

The Private Placement will include a brokered and non-brokered offering of Subscription Receipts at a price of CDN\$0.40 per Subscription Receipt, such Subscription Receipts being issued in accordance with the terms and conditions set forth in the Agency Agreement and the Brokered Subscription Receipt Agreement, the case of the Brokered Private Placement, and Non-Brokered Subscription Receipt Agreement, in the case of the Non-Brokered Private Placement, to be completed prior to the Effective Date. The net proceeds of which will be placed in escrow and released, and the Subscription Receipts will automatically be exchanged for Pinedale Shares for no additional consideration, on satisfaction of the escrow Release Conditions contained in the applicable Subscription Receipt Agreement. The conversion of the Subscription Receipts issued under the Private Placement is subject to, and will occur concurrently with, the completion of the Transaction.

In connection with the Brokered Private Placement, the Agent will be paid the Cash Fee equal to 7% of the proceeds raised and will receive a \$50,000 corporate finance fee as well as expense reimbursement. The Agent will also be issued an Agent Option as is equal to 7% of the Subscription Receipts sold under the Brokered Private Placement. The Agent Option will entitle the holder to acquire one post-consolidation share of the Resulting Issuer at the Issue Price for a period of twenty-four months following the date of issuance. One-half of the Cash Fee and the corporate finance fee will be payable upon the closing of the Brokered Private Placement, and the remainder of the Cash Fee will be payable on the date the Brokered Private Placement proceeds are released from escrow. The Agent's Option's will be issued on the date that Brokered Private Placement proceeds are released from escrow.

Effects of the Merger

Pursuant to the terms of the Merger Agreement, at the Effective Time, (a) all the rights, privileges, immunities, objects and purposes of Flavocure and Pinedale Subco shall vest in Mergeco, (b) all of the property, real and personal, including causes of action and every other asset of Flavocure and Pinedale Subco shall vest in Mergeco without further act or deed, and (c) all debts, liabilities and obligations of Flavocure and Pinedale Subco shall become the debts, liabilities and obligations of Mergeco.

For greater certainty, at the Effective Time, by virtue of the Merger and without any action to be taken on the part of the holder of any shares of Flavocure Shares or common shares of Pinedale Subco, or on the part of the Flavocure, Pinedale, Pinedale Subco or any other person, the following shall occur:

- (i) The Flavocure Shares (including those issued pursuant to the conversion of the Flavocure Debentures), but excluding Flavocure Shares held by Pinedale Subco, outstanding immediately prior to the Effective Time shall be cancelled and former Flavocure Shareholders shall receive sixty-five (65) fully paid and non-assessable Resulting Issuer Shares for every one (1) Flavocure Share held (the “**Exchange Ratio**”) held immediately prior to the Merger. Resulting Issuer Shares will be issued to holders of Flavocure Shares at a deemed price of US \$25 per share, and Mergeco will be a wholly-owned subsidiary of Pinedale.
- (j) Each Flavocure Option outstanding immediately prior to the Effective Time shall be cancelled and, the former holder of such Flavocure Option shall receive such number of Resulting Issuer Options in accordance with the Exchange Ratio for every one (1) Flavocure Option held immediately prior to the Merger;
- (k) Each outstanding Existing Flavocure Warrant and Flavocure Warrant will be cancelled and exchanged for such number of Resulting Issuer Warrants on the following basis in accordance with the Exchange Ratio for every one (1) Existing Flavocure Warrant or Flavocure Warrant held immediately prior to the Merger;
- (l) Each Flavocure Shares held by Pinedale Subco as at the Effective Time shall be cancelled without any repayment of capital with respect thereof;
- (m) Each issued and outstanding share in the capital of Pinedale Subco immediately prior to the Effective Time shall continue to be a validly issued, fully paid and non-assessable share of capital stock of Mergeco immediately following the Effective Time;
- (n) as consideration for the issuance by the Resulting Issuer of Resulting Issuer Shares pursuant hereto, Mergeco will issue to Pinedale such number of fully paid and non-assessable shares of common stock, par value US\$0.001 per share, as Mergeco reasonably determines has an aggregate fair market value equal to the aggregate fair market value of the Resulting Issuer Shares issued pursuant to (a), above;
- (o) as consideration for the issuance by the Resulting Issuer of Resulting Issuer Options and Resulting Issuer Warrants, Mergeco will issue one validly issued, fully paid and non-assessable share of common stock, par value US\$0.001 per share, to Pinedale for each such issued Resulting Issuer Option and Resulting Issuer Warrant pursuant to (b) and (c), above; and
- (p) the fully paid and non-assessable shares of common stock, par value US\$0.001 per share, of Mergeco shall constitute the only outstanding shares of capital stock of Mergeco.

Following the Effective Time:

- (d) The Resulting Issuer will carry on the business theretofore carried on by Flavocure;
- (e) The first directors of the Resulting Issuer are expected to be Clark Swanson, Dr. Philip Fagan, Dr. Henry Lowe, Dr. Ngeh Toyang and Chris Wolfenber and the first officers shall be Dr. Ngeh Toyang, Chief Executive Officer, Anthony Deasey, Chief Financial Officer and Corporate Secretary, Dr. Henry Lowe, Executive Chairman and Clark Swanson, Executive Vice Chairman;
- (f) Assuming there are no Dissenting Shares and that the Private Placement is fully subscribed, there will be approximately 94,129,087 Resulting Issuer Shares issued and outstanding on the Effective Date (and 114,805,962 Resulting Issuer Shares on a fully diluted basis). See "*Fully Diluted Share Capital*":
 - a. the former Flavocure Shareholders will hold, in the aggregate, 73,381,876 Resulting Issuer Shares, representing approximately 77.96% of the outstanding Resulting Issuer Shares.

- b. Investors in the Private Placement, including, in the aggregate, 9,500,000 Resulting Issuer Shares representing approximately 10.09% of the outstanding Resulting Issuer Shares; and
- c. Pinedale Shareholders will hold, in the aggregate, 11,247,211 Resulting Issuer Shares, representing approximately 11.95% of the outstanding Resulting Issuer Share.

General

Pursuant to the Merger, at the Effective Time, the following will be deemed to occur without any further act or formality:

- (i) Pinedale Subco and Flavocure shall be merged and continue as one corporation, Mergeco, on the terms set forth in the Merger Agreement; and
- (ii) All of the property and assets of each of Pinedale and Flavocure will become the property and assets of the Resulting Issuer which will be liable, by operation of law, for all of the liabilities and obligations of each of Pinedale and Flavocure.

Actions to be Taken Prior to Merger

Pursuant to the terms of the Merger Agreement, prior to the Effective Time, each of the following events shall occur and shall be deemed to occur sequentially as set out below, with the last event being effective immediately prior to the Effective Time:

- (a) issued and outstanding Subscription Receipts shall have been exchanged into Pinedale Shares in accordance with their terms and the Escrowed Proceeds shall have been released from escrow;
- (b) the issued and outstanding Flavocure Debentures will automatically be converted in accordance with the terms thereof into Flavocure Shares and Flavocure Warrants;
- (c) each issued and outstanding Pinedale Share acquired pursuant to (a) will be effected on a post-Consolidation basis.
- (d) Prior to or concurrently with the completion of the Transaction, Pinedale will change its name to “Flavocure Biotech, Inc.” and will consolidate all Pinedale securities on a 10:1 basis (the “**Consolidation**”).

The Merger Agreement

General

The Merger will be effected pursuant to the Merger Agreement, which contains covenants, representations and warranties of and from each of Pinedale and Flavocure, as well as various conditions precedent, both mutual and with respect to Pinedale and Flavocure. Unless all of such conditions are satisfied or waived by the Party for whose benefit such conditions exist, to the extent they may be capable of waiver, the Merger will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

The full text of the Merger Agreement filed on SEDAR at www.sedar.com. The following is a summary of the Merger Agreement and are qualified in its entirety by reference to the full version of the Merger Agreement.

Except for the Merger Agreement’s status as a contractual document that establishes and governs the legal relations among the Parties, the text of the Merger Agreement is not intended to be, and should not be interpreted as, a source of factual, business or operational information about Pinedale or Flavocure. The Merger Agreement contains representations, warranties and covenants that are qualified and limited, including by information disclosed to Pinedale and Flavocure, respectively, in connection with the execution of the Merger Agreement and certain information disclosed in public filings with Canadian securities regulatory authorities. Representations and warranties may be used as a tool to allocate risks between the parties to Merger Agreement, including where the parties do not have complete

knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to different standards of materiality applicable to the contracting parties, which may differ from what may be viewed as material to investors. These representations may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this Information Circular. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Merger Agreement. Shareholders may not directly enforce or rely upon the terms and conditions of the Merger Agreement and should not rely on the representations, warranties or covenants contained therein as characterizations of the actual state of facts or condition of Pinedale, Flavocure or any of their respective affiliates.

Conditions Precedent

Conditions for the Benefit of Pinedale

The obligations of Pinedale to complete the Merger is also subject to the satisfaction, on or before the Closing Date, of each of the following conditions precedent:

- (i) The representations and warranties of Flavocure contained in the Merger Agreement or in any Ancillary Agreement (as defined in the Merger Agreement) shall have been true and correct as of the date of the Merger Agreement and shall be true and correct as of the Closing Date in all material respects with the same force and effect as if such representations and warranties had been made on and as of such Closing Date except as affected by transactions contemplated or permitted by the Merger Agreement and an officer of the Company shall provide a certificate addressed to Pinedale at Closing confirming the foregoing;
- (ii) Flavocure shall have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in the Merger Agreement and in any Ancillary Agreement (as defined in the Merger Agreement) to be fulfilled or complied with by them at or prior to the Closing Date;
- (iii) All required approvals, consents and authorizations of third parties in respect of the transactions contemplated herein, including without limitation all necessary shareholder and regulatory approvals, shall have been obtained on terms acceptable to Pinedale acting reasonably, including the approval of the TSXV, the approval of the Pinedale Meeting Matters (as defined in the Merger Agreement) by the Pinedale Shareholders, the approval of the Pinedale Director Matters by the board of directors of Pinedale and the Flavocure Shareholder approval of the Merger and Split (as defined in the Merger Agreement). Flavocure shall have effected the Split (as defined in the Merger Agreement) on terms satisfactory to Pinedale;
- (iv) The Private Placement shall have been completed. The Subscription Receipts shall have been exchanged into Pinedale Common Shares in accordance with their terms and the Escrowed Proceeds shall have been released from escrow, provided that this exchange may occur immediately prior to the Effective Time.
- (v) There shall have been no Material Adverse Change (as defined in the Merger Agreement) in the business, results of operations, assets, liabilities, financial condition or affairs of Flavocure since the date of the Merger Agreement.
- (vi) Flavocure shall deliver or cause to be delivered to Pinedale the closing documents as set forth in the Merger Agreement in a form satisfactory to Pinedale acting reasonably.
- (vii) All proceedings to be taken in connection with the transactions contemplated in the Merger Agreement and any Ancillary Agreement (as defined in the Merger Agreement) shall be satisfactory in form and substance to Pinedale, acting reasonably, and Pinedale shall have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or closing of such transactions and the taking of all necessary proceedings in connection therewith.
- (viii) There shall be no action or proceeding pending or threatened by any Person in any jurisdiction, or any applicable Laws proposed, enacted, promulgated or applied, to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement or which could reasonably be expected to result in a Material Adverse Effect (as defined in the Merger Agreement) on Flavocure.

- (ix) The issuance of all securities of the Resulting Issuer contemplated hereunder to be issued in connection with the Merger or otherwise pursuant to the Merger Agreement shall be exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and all applicable state securities laws.

The foregoing conditions precedent are for the benefit of Pinedale and may be waived, in whole or in part, by Pinedale in writing at any time.

For the complete text of the applicable provisions, see Section 8.1 of the Merger Agreement which filed on Pinedale's SEDAR profile at www.sedar.com.

Conditions for the Benefit of Flavocure

The obligations of Flavocure to complete the Merger is also subject to the satisfaction, on or before the Closing Date, of each of the following conditions precedent:

- (i) The representations and warranties of Pinedale contained in the Merger Agreement or in any Ancillary Agreement (as defined in the Merger Agreement) shall have been true and correct as of the date of the Merger Agreement and shall be true and correct as of the Closing Date in all material respects with the same force and effect as if such representations and warranties had been made on and as of such Closing Date except as affected by transactions contemplated or permitted by the Merger Agreement and an officer of Pinedale shall provide a certificate to the Company at Closing confirming the foregoing;
- (ii) Pinedale shall have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in the Merger Agreement and in any Ancillary Agreement (as defined in the Merger Agreement) to be fulfilled or complied with by Pinedale at or prior to the Closing Date.
- (iii) There shall have been no Material Adverse Change in the business, results of operations, assets, liabilities, financial condition or affairs of Pinedale since the date of this Agreement other than a reduction of its cash position in order to pay ongoing operating expenses and professional fees or other expenses in connection with the Acquisition.
- (iv) All required approvals, consents and authorizations of third parties in respect of the transactions contemplated herein, including without limitation all necessary shareholder and regulatory approvals, shall have been obtained on terms acceptable to Flavocure acting reasonably, including approval of the Pinedale Meeting Matters (as defined in the Merger Agreement) by the Pinedale Shareholders, approval of the Pinedale Director Matters (as defined in the Merger Agreement) by the board of directors of Pinedale. Pinedale shall have effected the Name Change, and Consolidation on terms satisfactory to Flavocure.
- (v) The Private Placement shall have been completed. The Subscription Receipts shall have been exchanged into Pinedale Common Shares in accordance with their terms and the Escrowed Proceeds shall have been released from escrow;
- (vi) The Resulting Issuer Shares that are issued as consideration for the Flavocure Shares (i) shall be issued as fully paid and non- assessable Resulting Issuer Shares, free and clear of any and all encumbrances, liens, charges and demands of whatsoever nature, (ii) shall be freely tradable in Canada under Applicable Securities Laws (subject to restrictions under National Instrument 45-102 *Resale of Securities*) except those restrictions imposed pursuant to escrow requirements of the TSXV or Applicable Securities Laws, and (iii) with respect to the Resulting Issuer Shares shall have been conditionally approved for listing on the TSXV, as applicable, such listing to be conditional only on conditions standard for transactions such as the transactions contemplated herein;
- (vii) Pinedale shall deliver or cause to be delivered to Flavocure Pinedale's Closing Documents (as defined in the Merger Agreement) as set forth in the Merger Agreement in a form satisfactory to Flavocure, acting reasonably.

- (viii) There shall be no action or proceeding pending or threatened by any Person in any jurisdiction, or any applicable Laws proposed, enacted, promulgated or applied, to enjoin, restrict or prohibit any of the transactions contemplated by the Merger Agreement or which could reasonably be expected to result in a Material Adverse Effect (as defined in the Merger Agreement) on Pinedale.
- (ix) There shall be no debts or amounts owing by Pinedale to any of its officers, former officers, directors, shareholders, employees, former employees, consultants or any family member thereof or any person with whom Pinedale does not deal with at arm's length, except for any amounts advanced to such person for expenses incurred on behalf of Pinedale in the ordinary course or approved by Flavocure.
- (x) Prior to Closing all management, consulting, lease and rental Contracts to which Pinedale is a party will have been terminated without any further payment or liability by Pinedale.

The foregoing conditions precedent are for the benefit of Flavocure and may be waived, in whole or in part, by Flavocure in writing at any time.

For the complete text of the applicable provisions, see Section 8.2 of the Merger Agreement which filed on Pinedale's SEDAR profile at www.sedar.com.

Representations and Warranties

The Merger Agreement contains certain representations and warranties of Flavocure, including, without limitation, representations relating to the following: organization; standing and corporate power; authority relative to the Merger Agreement; subsidiaries; reporting status; capitalization; compliance with applicable Laws; actions or suits; minute books; financial statements; conduct of its business; related party matters; and Tax Act matters. For the complete text of the applicable provisions see Section 4.1 of the Merger Agreement.

The Merger Agreement contains certain representations and warranties of Pinedale, including, without limitation, representations relating to the following: organization, standing and corporate power; subsidiaries; authority relative to the Merger; reporting status; compliance with obligations as a reporting issuer and policies of the TSXV; capitalization; financial statements; minute books; public documents; agreements and the absence of certain changes since Pinedale's incorporation. For the complete text of the applicable provisions see Section 4.2 of the Merger Agreement.

For the complete text of the applicable provisions, see Sections 4.1 and 4.2 of the Merger Agreement which filed on Pinedale's SEDAR profile at www.sedar.com.

Termination of Merger Agreement

The Merger Agreement may be terminated at any time prior to the Closing Date:

- (i) by mutual agreement in writing by the parties;
- (ii) any applicable regulatory or Government Agency (as defined in the Merger Agreement) having notified in writing either Pinedale or Flavocure of its determination to not permit the Merger to proceed, in whole or in part, and the parties have used commercially reasonable efforts to appeal or reverse such determination, or modify the Merger on a basis that is not prejudicial to either party hereto in order to address such determination
- (iii) Flavocure shall not have provided the audited financial statements of Flavocure for the financial years ended December 31, 2019 and 2018 in form and substance satisfactory to Pinedale, acting reasonably, on or prior to June 30, 2020 and Pinedale shall have advised Flavocure of its intention to terminate the Merger Agreement as a result thereof; or
- (iv) the Closing of the Merger has not occurred on or before 5:00 p.m. (Calgary time) on June 30, 2021.

For the complete text of the applicable provisions, see Article 10 of the Merger Agreement as amended by the Amended Merger Agreement and Second Amended Merger Agreement, which are filed on Pinedale's SEDAR profile at www.sedar.com.

Flavocure Appraisal Rights

Flavocure Shares which are issued and outstanding immediately prior to the Effective Time and which are held by a Flavocure Shareholder who has not voted such shares in favor of, or consented in writing to, the Merger and who has properly demanded appraisal rights in the manner provided by Section 262 of the DGCL shall not be converted into a right to receive any portion of the Resulting Issuer Shares, if any, payable with respect to such Flavocure Shares pursuant to Section 2.9(a) of the Merger Agreement unless and until the Effective Time has occurred and the holder of such Dissenting Shares becomes ineligible for such appraisal rights. The holders of Dissenting Shares shall be entitled only to such rights as are granted by Section 262 of the DGCL. Each holder of Dissenting Shares who becomes entitled to payment for such shares pursuant to Section 262 of the DGCL shall receive payment therefor from Flavocure or the Resulting Issuer in accordance with the DGCL; provided, however, that (a) if any such holder of Dissenting Shares shall have failed to establish entitlement to appraisal rights as provided in Section 262 of the DGCL, (b) if any such holder of Dissenting Shares shall have effectively withdrawn or failed to perfect its demand for appraisal of such shares or otherwise lost or failed to be entitled for any reason to the right to appraisal and payment for shares under Section 262 of the DGCL or (c) if neither any holder of Dissenting Shares nor the Resulting Issuer shall have filed a petition demanding a determination of the value of all Dissenting Shares within the time provided in Section 262 of the DGCL, such holder shall forfeit the right to appraisal of such Flavocure Shares and each such Flavocure Share shall automatically be deemed to have converted into and represent only the right to receive the portion of the Resulting Issuer Shares, if any, payable with respect to such Flavocure Shares pursuant to Section 2.9(a) of the Merger Agreement, without interest thereon. Flavocure shall give Pinedale and Pinedale Subco prompt notice of any demands received by Flavocure for appraisal of any Flavocure Shares, withdrawals of such demands, and any other instruments served pursuant to the DGCL and received by Flavocure, and Pinedale and Pinedale Subco shall have the right to participate in, direct and control all negotiations and proceedings with respect to demands for appraisal under the DGCL and keep Pinedale apprised of any discussions or correspondence with Flavocure Shareholders who have demanded appraisal under the DGCL or their representatives. Flavocure shall not, except with the prior written consent of Pinedale, settle or offer to settle, voluntarily make any payment with respect to, or waive any failure to deliver, any demands for appraisal in accordance with the DGCL, or agree to any of the foregoing.

The foregoing summary of the Flavocure appraisal rights is qualified in its entirety by Section 262 of the DGCL, a copy of which is attached hereto as Exhibit "H".

Acceptance of the Exchange

Pinedale has applied for conditional acceptance of the TSXV for the completion of the Transaction and listing of the Resulting Issuer Shares. Final acceptance of the TSXV is subject to Pinedale fulfilling all of the requirements for final acceptance of the TSXV. There can be no assurance that Pinedale will be able to satisfy the requirements of the TSXV.

PART V - INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented on a post-Transaction basis and is reflective of the projected business, financial and share capital position of the Resulting Issuer. This section only includes information respecting the Resulting Issuer that is materially different from information provided earlier in this Filing Statement. Following the completion of the Transaction, the Resulting Issuer will carry on the business of Flavocure. Please see the discussion under the various headings in the sections entitled "Part II - Information Concerning Pinedale" and "Part III - Information Concerning Flavocure" for additional information regarding Pinedale and Flavocure respectively. See also the Pro Forma Financial Statements of the Resulting Issuer attached hereto as Exhibit "E".

Corporate Structure

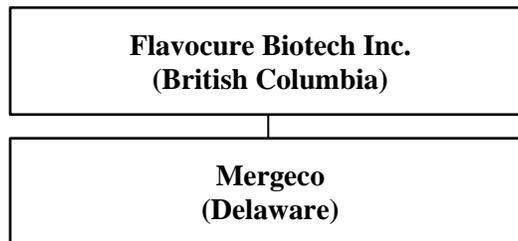
Name and Incorporation

The corporate name of the Resulting Issuer is expected to be "Flavocure Biotech Inc.", or such other similar name as Flavocure may direct and which is acceptable to the TSXV. It is anticipated that the head and registered office of the Resulting Issuer will be located at 701 East Pratt Street, Baltimore, MD 21202.

After Completion of the Transaction, the Resulting Issuer will exist under the BCBCA. It is anticipated that the Resulting Issuer Board will comprise of Dr. Ngeh Toyang, Dr. Henry Lowe, Clark L. Swanson, Dr. Philip J. Fagan, and Chris Wolfenber and the Resulting Issuer's management team will comprise Dr. Ngeh Toyang (Chief Executive Officer), Anthony Deasey (Chief Financial Officer and Corporate Secretary), Dr. Henry Lowe (Executive Chairman), and Clark L. Swanson (Executive Vice Chairman).

Intercorporate Relationships

After giving effect to the Merger, the Resulting Issuer's sole direct and wholly-owned subsidiary will be Mergeco, which will exist under the laws of Delaware. The Resulting Issuer will own 100% of the issued and outstanding voting securities of Mergeco.



Narrative Description of the Business

Following completion of the Merger, the business of the Resulting Issuer will be the business of Flavocure. For a description of the business of Flavocure, refer to the discussion under the headings in the section entitled "Part III – Information Concerning Flavocure – General Development of the Business".

Stated Business Objectives & Milestones

The Resulting Issuer will be a junior biotechnology company focused on the development of FBL-03G and Flavocure's other drugs and initiatives. The Resulting Issuer will focus on advancing:

The primarily objective of the Resulting Issuer is expected to reach, support and fund human clinical Phase 1/2 trials. The milestones required to reach these objectives include associated regulatory submissions, the development of formulations and related studies, preparation of Caflanone for aqueous delivery exploration, and proof of concept studies. The Resulting Issuer has the potential to use Caflanone under the US Congressional Act – "Right to Try",

which allows use of the drug in humans for any terminal disease. The Resulting Issuer’s drug may be a candidate for fee based drug administration, potentially providing substantial revenues.

Description of the Securities

The Resulting Issuer Shares will have the same rights, privileges, restrictions and conditions as the rights, privileges, restrictions and conditions attaching to the Pinedale Shares. See “*Part II – Information Concerning Pinedale – Description of Securities.*”

Resulting Issuer Shares

Following completion of the Merger, it is anticipated that that the Resulting Issuer will have 94,129,087 Resulting Issuer Shares outstanding. 11,247,211 Resulting Issuer Shares, representing approximately 12.07% of the then outstanding Resulting Issuer Shares will be held by former Pinedale Shareholders and not including investors in the Private Placement. 73,381,876 Resulting Issuer Shares, representing approximately 77.73% of the then outstanding Resulting Issuer Shares will be held by the current Flavocure Shareholders. 9,500,000 Resulting Issuer Shares will be held by investors in the Private Placement, representing approximately 10.20% of the then outstanding Resulting Issuer Shares.

Warrants

Following completion of the Transaction, a total of 1,099,999 Resulting Issuer Shares will be reserved for issuance upon the exercise of the 1,099,999 Post-Consolidated Pinedale Warrants. 4,875,000 Resulting Issuer Shares will be reserved for issuance upon the exercise of the Existing Flavocure Warrants and 7,434,245 Resulting Issuer Shares upon exercise of the Flavocure Warrants. In addition, giving effect to the Private Placement, there would be 9,500,000 Private Placement Warrants to be issued upon conversion of the Subscription Receipts from the Private Placement.

Options

Following completion of the Transaction, a total of 5,655,000 Resulting Issuer Shares will be reserved for issuance upon the exercise of the Flavocure Options. In addition, 665,000 Resulting Issuer Shares will be reserved for issuance upon the exercise of the Agent Option.

Pro Forma Consolidated Capitalization

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer as at December 31, 2020, after giving effect to the Transaction.

<u>Designation of Security</u>	<u>Amount authorized or to be authorized</u>	<u>Amount outstanding after giving effect to the Transaction and Private Placement</u>
Resulting Issuer Shares	Unlimited	94,129,087
Resulting Issuer Preferred Shares	Unlimited	Nil

Notes:

- (1) After giving effect to the Transaction (assuming completion of the Private Placement and conversion of the Subscription Receipts), it is anticipated that 665,000 Resulting Issuer Shares will be reserved for issuance upon the exercise of the Agent Options, exercisable at a price of \$0.40 per Resulting Issuer Share; 5,655,000 Resulting Issuer Shares will be reserved for issuance upon the exercise of the Flavocure replacement Options, exercisable at a price of USD\$0.31 per Resulting Issuer Share until October 30, 2028; 4,875,000 Resulting Issuer Shares will be reserved for issuance upon the exercise of the Existing Flavocure Warrants; 9,500,000 Resulting Issuer Shares upon exercise of the Private Placement Warrants; and 7,434,245 Resulting Issuer Shares upon exercise of the Flavocure Warrants. Pursuant to Exchange Policy 5.2, certain securities of the Resulting Issuer will be subject to escrow requirements as set out below under the heading “*Information Concerning the Resulting Issuer – Escrowed Securities*”.
- (2) The pro forma deficit of the Resulting Issuer is \$4,079,415.

Fully Diluted Share Capital

The following table sets forth the fully-diluted share capital of the Resulting Issuer after giving effect to the Transaction on a fully diluted basis after giving effect to (a) the Transaction, and (b) the Transaction and the Private Placement:

Category of Securities	After Giving Effect to the Transaction and the Private Placement	
	Number of Securities	Percentage of Securities
Pinedale Shares held by existing Pinedale Shareholders (outstanding prior to giving effect to the Transactions) ⁽¹⁾	11,247,211	9.80%
Pinedale Shares issued to Flavocure Shareholders pursuant to the Merger ⁽²⁾	65,000,000	56.62%
Pinedale Shares issuable upon exercise of existing Pinedale Warrants ⁽³⁾	1,099,999	0.96%
Pinedale Shares issued pursuant to the Private Placement ⁽⁴⁾	9,500,000	8.27%
Pinedale Shares issuable upon exercise of the replacement Existing Flavocure Warrants ⁽⁵⁾⁽⁶⁾	4,875,000	4.25%
Pinedale Shares issuable upon exercise of the Flavocure Debentures ⁽⁷⁾⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	8,381,876	7.30%
Pinedale Shares issuable upon exercise of the Flavocure Warrants issued pursuant to the Flavocure Debentures ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	8,381,876	7.30%
Pinedale Shares issuable upon exercise of the replacement Flavocure Options ⁽¹²⁾⁽¹³⁾	5,655,000	4.93%
Pinedale Shares issuable upon exercise of the Agent Options ⁽¹⁴⁾	665,000	0.58%
Total Fully Diluted Shares	114,805,962	100.00%

Notes:

- (1) Post-Consolidation Pinedale Share.
- (2) The Flavocure Shareholders will receive sixty-five (65) Resulting Issuer Shares for each one (1) Flavocure Share held.
- (3) The holders of Pinedale Warrants will receive one (1) Resulting Issuer Warrant for each one (1) Post-Consolidation Pinedale Warrant held.
- (4) See *Part IV – The Proposed Transactions – Private Placement*
- (5) The holders of Existing Flavocure Warrants will receive sixty-five (65) Resulting Issuer Warrants for each one (1) Existing Flavocure Warrant held.
- (6) Based on the Bank of Canada exchange rate at April 27, 2021 of \$1.2403 CAD/USD (the “Exchange Rate”), the exercise price of the Existing Flavocure Warrants is CAD\$0.38
- (7) Based on the Exchange Rate, the Flavocure Debentures will be converted into units at a price of CAD\$31.01, such units to be composed of one Flavocure Share and one Flavocure Warrant. The Flavocure Shares resulting from the conversion of the Flavocure Debentures will be exchanged at the Exchange Ratio for 8,381,876 Resulting Issuer Shares.
- (8) Includes accrued interest to April 30, 2021.
- (9) Based on the Exchange Rate, the Flavocure Debentures will be converted into units at a price of CAD\$31.01, such units to be composed of one Flavocure Share and one Flavocure Warrant. The Flavocure Warrants resulting from the conversion of the Flavocure Debentures will be exchanged at the Exchange Ratio for 8,381,876 Resulting Issuer Warrants with an exercise price of CAD\$0.48 (based on the Exchange Rate).
- (10) Pinedale Shares issuable upon exercise of the Flavocure Debentures in the principal amount of USD \$2,940,000 (2,940 Flavocure Debentures) and Pinedale Shares issuable upon exercise of the Flavocure Warrants to be issued upon the conversion of the Flavocure Debentures in the principal amount of USD \$2,940,000 (2,940 Flavocure Debentures).
- (11) Each Flavocure Debenture is convertible into one Flavocure Share and one Flavocure Warrant in accordance with its terms.
- (12) Holders of the Flavocure Options will receive sixty-five (65) Resulting Issuer Options for each one (1) Flavocure Option held.
- (13) Based on the Exchange Rate, the exercise price of the 5,655,000 Resulting Issuer options to existing Flavocure optionholders is CAD\$0.38.
- (14) The Agent, as holder of the Agent Options will have one (1) Resulting Issuer Options for each one (1) Agent Option held.

Available Funds and Principal Purposes

Upon completion of the Transaction, the pro forma working capital of the Resulting Issuer, as reflected in the pro forma financial statements for the financial year ended December 31, 2020 and appended hereto as Exhibit “E”, will be \$4,330,483. The Resulting Issuer estimates that upon giving effect to the Transaction, it would have had available funds of approximately \$2,273,689.

The following is a breakdown of the funds that will be available to the Resulting Issuer in furtherance of its stated business objectives, which are summarized in the table upon completion of the Transaction, as at the most recent month end:

	Estimated Amount
Sources of Funds:	
Estimated working capital (as of April 30, 2021)	\$(1,210,311) ⁽⁴⁾
Net proceeds from Private Placement ⁽¹⁾	\$3,484,000
Estimated Available Funds	\$2,273,689
Use of Funds:	
Legal and Other Transaction Costs ⁽²⁾	\$150,000
Laboratory supplies and reagents	\$24,000
Orphan Drug registration (FDA/EMA) & Regulatory Affairs	\$30,000
Formulation of drug for PK and animal studies	\$50,000
Pharmacokinetics studies	\$27,000
Molecule Synthesis	\$25,000
Exploratory ADME PK/biomarker ID & validation	\$30,000
Proof of Concept validation (Harvard/CRO)	\$50,000
Pipeline Development	\$35,000
IND/Phase 1 & 2	\$900,000
Estimated General & Administrative Expenses for 12 Months ⁽³⁾	\$850,000
Total Uses:	\$2,171,000
Unallocated Working Capital:	\$102,689

Notes:

- (1) Pinedale expects that it will raise \$1,900,000 from the Private Placement through its own network. Pursuant to the terms of the Brokered Private Placement, Pinedale shall pay the Agent a cash commission of up to 7% of the gross proceeds from the sale of Brokered Subscription Receipts, a \$50,000 corporate finance fee, as well as expense reimbursement. See "*Part IV – The Proposed Transaction – Private Placement*". Assumes the entirety of the Private Placement is subscribed from the sale of Brokered Subscription Receipts.
- (2) Total estimates including legal costs, auditor fees and applicable filing and listing fees.
- (3) "Estimated General & Administrative Expenses for 12 Months" includes, among other things, management compensation, office rent, audit fees, legal fees, travel, patents, annual Exchange fees and other typical administrative costs.
- (4) Estimated working capital does not include the principal and accrued interest in respect of the Flavocure Debentures, which will be converted into units consisting of one Flavocure Share and one Flavocure Warrant and subsequently converted into Resulting Issuer Shares and Resulting Issuer Warrants, as applicable, prior to the closing of the Transaction. See "*Part III – Information Concerning Flavocure - Debt Securities*".

The Resulting Issuer intends to use the available funds for various principal purposes, including the research and development of Flavocure's flagship drug, Caflanone, which would include regulatory submissions, the development of alternate formulations and related studies, preparation of Caflanone for aqueous delivery exploration, additional proof of concept studies and initiate Phase 1 pancreatic cancer clinical trials. The Resulting Issuer plans to enter clinical trials for Caflanone in 2021. Flavocure's key academic partner is the Dana-Farber, Harvard Medical School.

There may be circumstances where, on the basis of results obtained or for other sound business reasons, a re-allocation of funds may be necessary or prudent. Accordingly, management of the Resulting Issuer will have broad discretion in the application of the working capital. The actual amount that the Resulting Issuer spends in connection with each intended purpose set out above may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under "*Part I - Risk Factors*".

The above uses of available funds should be considered estimates only. Please see the discussion under "*Forward-Looking Information*".

Dividend Policy

There will be no restrictions in the Resulting Issuer's articles or elsewhere which would prevent the Resulting Issuer from paying dividends subsequent to the completion of the Transaction. It is not currently contemplated that any dividends will be paid on the Resulting Issuer Shares in the immediate future following completion of the Transaction, as it is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business. The Resulting Issuer Board will determine if, as and when dividends will be declared and paid in the future from funds

properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. All of the Resulting Issuer Shares are entitled to an equal share in any dividends declared and paid. Please see the discussion under "Forward-Looking Information".

Principal Securityholders

The following table sets out each securityholder anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over more than 10% of the Resulting Issuer Shares (each a "principal shareholder") after giving effect to the Transaction and the Private Placement:

Name and Municipality of Residence	Number of Resulting Issuer Shares Owned After Giving Effect to the Transaction and the Private Placement	
	Number of Securities	Percentage of Securities
Dr. Henry Lowe ⁽¹⁾ <i>Wellington, Florida</i>	33,068,750	35.49%
Dr. Ngeh Toyang <i>Elkridge, Maryland</i>	10,521,875	11.29%
Clark Swanson <i>Henderson, Nevada</i>	10,521,875	11.29%

Notes:

(1) Includes 30,663,750 Resulting Issuer Shares held directly (32.91%) and 2,405,000 Resulting Issuer Shares held indirectly by his spouse (2.58%).

Directors, Officers and Promoters

Directors and Officers of the Resulting Issuer

Concurrent with the completion of the Transaction, the following individuals will be appointed officers and/or directors of the Resulting Issuer as follows:

Officers

Dr. Ngeh Toyang - *Chief Executive Officer*
 Anthony Deasey – *Chief Financial Officer and Corporate Secretary*
 Dr. Henry Lowe – *Executive Chairman*
 Clark L. Swanson – *Executive Vice Chairman*

Directors

Dr. Henry L. C. Lowe
 Clark L. Swanson
 Dr. Philip J. Fagan
 Dr. Ngeh Toyang
 Chris Wolfenberg

Name, Address, Occupation and Security Holdings

The following table sets forth certain information regarding the proposed directors and officers of the Resulting Issuer, including their municipality of residence, the position(s) and office(s) to be held with the Resulting Issuer, their principal occupation within the five preceding years, the period during which each proposed director has served as a director of Flavocure and the approximate number and percentage of Resulting Issuer Shares proposed to be beneficially owned, directly or indirectly, or over which control or direction is proposed to be exercised by each of them, upon completion of the Transaction:

Name and Municipality of Residence ⁽¹⁾	Proposed Position with Resulting Issuer	Principal Occupation and Position Held during the Past Five Years	Date Became Director of Pinedale or Flavocure	Number and Percentage of Resulting Issuer Shares to be held Directly or Indirectly
Dr. Henry Lowe ⁽¹⁾ <i>Wellington, Florida</i>	Executive Chairman & Director	Dr. Lowe is the founder, owner and executive chairman of Eden Gardens Wellness Resort and Spa in Kingston, Jamaica since 1999.	June 30, 2020	33,068,750 (35.49%)

<i>Clark Swanson⁽⁵⁾ Henderson, Nevada</i>	Executive Vice-Chair & Director	Mr. Swanson has been the Chief Executive Officer of the consulting company Global Spaces Inc. since 2008. Mr. Swanson also served as the President, CEO and a director of Blackline Safety Corp. from 2006 to 2018.	December 31, 2019	10,521,875 (11.29%)
<i>Dr. Philip Fagan⁽⁵⁾ Henderson, Nevada</i>	Director	Medical director of CAN Emergency Physicians, California Hospitalists and Emergency Physicians, and ER Physicians medical groups since 2015.	October 2, 2018	Nil ⁹ 0%
<i>Dr. Ngh Toyang Elkridge, Maryland</i>	Chief Executive Officer & Director	Dr. Toyang has been the CEO of Flavocure since October 2018 and has been a Partner at Educational & Scientific, LL, a biotech company, since April 2015.	June 30, 2020	10,521,875 (11.29%)
<i>Chris Wolfenberg⁽⁵⁾ Calgary, Alberta</i>	Director	Mr. Wolfenberg has been a Partner with the law firm of Fasken Martineau DuMoulin LLP since 2015.	October 6, 2020	Nil ⁹ 0%
<i>Anthony Deasey Severna Park, Maryland</i>	Chief Financial Officer & Corporate Secretary	Mr. Deasey served as President and Chief Executive Officer of Seguro Surgical, Inc., a surgical instrument manufacturer, from 2010 until 2019 and has served as President of Second Stage Bio Advisers LLC, a biotech consulting company, since 2014.	January 1, 2020	Nil ⁹ 0%

Notes:

- (1) Please see “*Directors and Executive Officers*” below for a description of principal occupations within the five years preceding the date of this Filing Statement.
- (2) Dr. Lowe directly controls 30,663,750 Resulting Issuer Shares directly and 2,405,000 indirectly by his spouse.
- (3) Member of the Resulting Issuer Audit Committee.

On closing of the Transaction, the directors and executive officers, as a group, will beneficially own, directly or indirectly, or exercise control or direction over, a total of 54,112,500 Resulting Issuer Shares on an undiluted basis, representing approximately 58.07% of the issued and outstanding Resulting Issuer Shares.

The proposed directors of the Resulting Issuer will serve until the first annual meeting of shareholders following completion of the Transaction.

See “*Part III – Information Concerning Flavocure – Executive Compensation*”.

Biographies

Dr. Henry L. C. Lowe, PhD — Director and Executive Chairman — 81

Dr. Henry Lowe, PhD., was educated at University of the West Indies, (B.Sc. Hons.), University of Sydney, (M.Sc.), Manchester University, (Ph.D.), Bolton Institute of Technology England, (Dip. Technical Education), Harvard University and M.I.T, U.S.A., (Post-Doctoral Studies). Dr. Lowe served as Permanent Secretary for the Government of Jamaica, Dr. Lowe researched and established the first Ministry of Science & Environment in the CARICOM region. He served as Chairman as well as President & CEO of Blue Cross of Jamaica (including the Caribbean Islands). Dr. Lowe holds many awards and accolades, including the Jamaica Observer Business Leader Award (2006) and the CCRP Living Legend Award (2012); and is a member of the prestigious American Association for Cancer Research (AACR). Dr. Lowe is a member of the American Association for the Advancement of Science, Fellow, Royal Society of Medicine United Kingdom, Harvard Medical School Postgraduate Association, American Association of Pharmaceutical Scientists and the American Chemical Society and a Life Member of the New York Academy of Sciences. Dr. Lowe is an Adjunct Professor in the Department of Medicine, University of Maryland School of Medicine, USA and Distinguished Adjunct Professor of Ethno-medicinal Chemistry, University of Technology, Jamaica.

Dr. Lowe will devote the time necessary to perform the work required in connection with serving as Executive Chairman and director of the Resulting Issuer. It is not anticipated that Dr. Lowe will enter into a non-competition or non-disclosure agreement with the Resulting Issuer.

Clark L. Swanson, MBA — Director and Executive Vice Chairman — 51

Mr. Swanson is a start-up veteran and has served as Co-Founder, President & Chief Executive Officer and Director of Blackline Safety Corp., a preeminent (Deloitte Fastest 500, TSX 50, Profit 500 & IDC Top 10 to Watch) technology company publicly traded on the TSX Venture Exchange under the trading symbol: BLN. Under his leadership, the company grew to over 100 employees and a market capitalization of nearly \$300,000,000. Prior to this, Mr. Swanson was a top revenue earner for several technology companies where he focused on life sciences at Amgen, DaVita, Pfizer and others. Mr. Swanson holds a degree in Economics from Pepperdine University and a Masters in Business Administration from Graziadio School of Business & Management where he graduated with distinction. He is a guest lecturer at UCLA Anderson School of Management and Pepperdine Graziadio School of Business & Management.

Mr. Swanson will devote the time necessary to perform the work required in connection with serving as Executive Vice Chairman and director of the Resulting Issuer. It is not anticipated Mr. Swanson will enter into a non-competition or non-disclosure agreement with the Resulting Issuer.

Dr. Philip J. Fagan, Jr., M.D., F.A.C.E.P. — Director — 76

Dr. Fagan is currently medical director of CAN Emergency Physicians, California Hospitalists and Emergency Physicians and ER Physicians Medical Groups. The groups have expanded since 2015 and currently provide emergency medicine and hospital medicine services to seven hospitals in the greater Los Angeles area. Dr. Fagan has extensive emergency medicine and administrative experience. He is currently a Fellow of the American College of Emergency Physicians and has been certified and recertified at regular intervals by the Board of Emergency Medicine. He serves as Chief of Staff of a three-hospital group in Los Angeles. He has also served as Medical Director of McCormick Ambulance Services for twelve years.

Dr. Fagan is a graduate of the University of Notre Dame, Tulane University School of Medicine, with postgraduate studies at the University of Oregon Hospitals and Clinics. Dr. Fagan serves as an emeritus member of the Board of trustees of Tulane University. He also serves on the Library Council at the University of Notre Dame. Dr. Fagan has been chairman of the board of directors and served as Director of Mercury Air Group, a company listed on the American Stock Exchange now NYSE/American, from 1990 to 2000. As CEO of Emergency Department Physicians Medical Group, he practiced emergency medicine and was part of the administrative process. This group was acquired by TeamHealth, a Fortune 1000 Healthcare Provider.

Dr. Fagan will devote the time necessary to perform the work required in connection with serving as a director of the Resulting Issuer. It is not anticipated Dr. Fagan will enter into a non-competition or non-disclosure agreement with the Resulting Issuer.

Dr. Ngeh Toyang, PhD — Director and Chief Executive Officer — 53

Dr. Toyang earned a BS degree (1998) at the University of Central Arkansas and completed his PhD (2014) degree in Pharmacognosy under the supervision of Prof. Dr. Rob Verpoorte at the University of Leiden, The Netherlands. Dr. Toyang has over 20 years of research experience in the field of medicinal plants and pharmacognosy at various research institutions including Heifer International, the National Center for Natural Products Research at the University of Mississippi School of Pharmacy, Natural Products Research Laboratory of the University of Leiden, The Netherlands and the Institute of Human Virology of the University of Maryland School of Medicine. Dr. Toyang is the founding CEO/CSO of Flavocure Biotech Inc.

Over the last ten years, his work has focused on the bioactivity of flavonoids against selected cancer and other malignancies. This led to the uncovering of the significant kinase inhibitory activity of flavonoids found in the cannabis plant. Two of those flavonoids are among the molecules in the drug development pipeline of Flavocure Biotech. The flavonoids target key kinases that play significant roles in the onset and progression of different cancers. Caflanone is an inhibitor of CSF1-R and CSK2 while Cresorol inhibits FLT3 and its related mutant kinases. Under

his leadership as CEO/Interim Chief Scientific Officer, both Caflanone and Cresorol have received FDA Orphan Drug Designations for Pancreatic Cancer and Acute Myeloid Leukemia, respectively.

Dr. Toyang is the author of over 25 peer reviewed scientific publications and a holder of seven patents and several pending patent applications. He holds membership in several professional organizations including American Association for Cancer Research (AACR).

Dr. Toyang will devote the time necessary to perform the work required in connection with serving as Chief Executive Officer and director of the Resulting Issuer. It is not anticipated Dr. Toyang will enter into a non-competition or non-disclosure agreement with the Resulting Issuer.

Chris Wolfenberg —Director — 47

Chris Wolfenberg is a partner with Fasken Martineau DuMoulin LLP. He's practiced business law for almost 20 years and has acted as a director and officer of public, private and not for profit corporations. Mr. Wolfenberg holds an LL.M. from Cornell Law School, an LL.B. from Queen's University and a Bachelor of Social Sciences from the University of Ottawa. He has been awarded national and local recognition for his career in law and his community service.

Mr. Wolfenberg will devote the time necessary to perform the work required in connection with serving as a director of the Resulting Issuer. It is not anticipated Mr. Wolfenberg will enter into a non-competition or non-disclosure agreement with the Resulting Issuer.

Anthony Deasey —Chief Financial Officer — 71

Mr. Deasey is a seasoned C-level executive who is currently President of Second Stage Bio-Advisers LLC a consulting company which he formed in 2013, to search out and support new business entities in the MedTech category. In 2018 he founded Softhead, Inc. with Dr. Yelena Yesha and Dr. Eliot Siegel to license a block chain based cyber security defense technology and explore its potential application in a medical setting.

Tony spent the first ten years of his career in public accounting with Price Waterhouse in London, Addis Ababa and Johannesburg having qualified and become a fellow of the Institute of Chartered Accountants in England and Wales with a small regional accounting firm in England.

He then spent eleven years with Chesebrough Ponds (Unilever) though a succession of increasingly senior positions he had broad financial and operational exposure to day to day functioning of a multi-brand consumer products company. During that time, he led several information systems initiatives within the international division leading to a deeper interest in the potential efficiencies to be gained from automating systems and processes. When Chesebrough was acquired by Unilever he was head of financial operations for the international division of Chesebrough.

Following Chesebrough Ponds acquisition Tony spent a further 9 years as Chief Financial Officer of three consumer products companies Church and Dwight Co. Inc – “Arm & Hammer” (NYSE:CHD), Rollerblade, Inc. and World Kitchen Inc. where in addition to his responsibilities for the financial function he had oversight of information systems and supply chain and through the implementation of several systems initiatives built an appreciation for efficiencies that automation could deliver to management of the supply chain.

In 2001, Mr. Deasey made a strategic change in his career and moved to a development stage medical products company, Celsion Corporation, where as Chief Operating Officer he was responsible for day to day management of the Company including taking a medical device through the PMA process and a drug through Phase 1 and 2 trials and setting up a Phase 3 trial for an oncology product. At Celsion he learned the intricacies of the regulatory process including managing a product recall and conducting a Phase 4 post market study for “Prolieve”, the PMA cleared device. Under his management Celsion sold the medical device to Boston Scientific.

These experiences ignited a fascination with the potential for secure data management systems. After a short spell as CFO of Northwest Biotherapeutics, Inc. a biotech company focused on the development of personal dendritic cell-based vaccines to treat a variety of cancer indications as a lead member of a multi-disciplined team he formed a

Company to search for Med-tech technologies for commercialization. They licensed a surgical device invention from Johns Hopkins and took it through the product registration process and ultimately sold the company to a surgical products distributor.

Prior to joining Chesebrough Ponds Mr. Deasey spent five year in public accounting with Price Waterhouse in London, Addis Ababa and Johannesburg having qualified and become a fellow of the Institute of Chartered Accountants in England and Wales with a small regional accounting firm in England.

Mr. Deasey will devote the time necessary to perform the work required in connection with serving as Chief Financial Officer of the Resulting Issuer. It is not anticipated Mr. Deasey will enter into a non-competition or non-disclosure agreement with the Resulting Issuer.

Chairman of the Board

Dr. Henry Lowe will be the Chairman of the Resulting Issuer Board, and in such role, shall be principally responsible for overseeing the operations and affairs of the Resulting Issuer Board-

Promoter Consideration

No person or company has been, within the two years immediately preceding the date of this Filing Statement, a Promoter of Pinedale or Flavocure.

Corporate Cease Trade Orders or Bankruptcies

No proposed director, officer or Promoter of the Resulting Issuer is, or within the ten years prior to the date of this Filing Statement has been, a director, officer, or Promoter of any person or company that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No proposed director, officer or Promoter of the Resulting Issuer, nor securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision concerning the Merger.

Personal Bankruptcies

No proposed director, officer or Promoter of the Resulting Issuer, nor securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, nor a personal holding company of any such person has, within the 10 years before the date of the Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director or officer, or personal holding company of any such person.

Conflicts of Interest

To the best of Flavocure's knowledge, there are no known existing or potential conflicts of interest between the Resulting Issuer or a subsidiary of the Resulting Issuer and a proposed director, officer or Promoter of the Resulting Issuer or a subsidiary of the Resulting Issuer as at the date hereof.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name of Reporting Issuer	Name of Exchange or Trading Market	Position	From	To
Dr. Henry L. C. Lowe	N/A	N/A	N/A	N/A	N/A
Clark L. Swanson	Blackline Safety Corp.	TSX Venture Exchange	Director, President & CEO	January 2006	April 2018
Dr. Philip J. Fagan	N/A	N/A	N/A	N/A	N/A
Dr. Ngeh Toyang	N/A	N/A	N/A	N/A	N/A
Chris Wolfenberg	Zomedica Pharmaceuticals Corp.	NYSE	Director	August 6, 2020	Current
	Rogue Resources Inc.	TSX Venture Exchange	Director	May 12, 2016	Current
	MGX Minerals Inc.	Canadian Securities Exchange	Director	January 11, 2018	February 2020
	1933 Industries Inc.	Canadian Securities Exchange	Director	January 29, 2008	November 13, 2015
Anthony Deasey	N/A	N/A	N/A	N/A	N/A

Resulting Issuer Board Mandate

It is expected that the Resulting Issuer Board will adopt a written charter describing, *inter alia*, its role and overall responsibility to supervise the management of the business and affairs of the Resulting Issuer following completion of the Transaction (the “**Board Mandate**”).

Ethical Business Conduct

It is expected that the Resulting Issuer Board will adopt a written code of ethics (the “**Code**”) applicable to all of its employees, executive officers and directors following completion of the Transaction.

Committees of the Board of Directors

The Resulting Issuer Board will establish two committees following the completion of the Transaction: an Audit Committee and a Compensation Committee.

Audit Committee

Some of the directors of the Resulting Issuer will constitute an audit committee in accordance with National Instrument 52-110 – *Audit Committees*. It is expected that the members of the audit committee will be Clark Swanson, Philip Fagan and Chris Wolfenberg. Each of Philip Fagan and Chris Wolfenberg will not be executive officers, employees or control persons of the Resulting Issuer or any of its associates or affiliates in accordance with the requirements of the Exchange and National Instrument 52-110 – *Audit Committees*.

The Audit Committee shall be responsible for overseeing the accounting and financial reporting practices of the Resulting Issuer and audits of the Resulting Issuer’s financial statements. The Audit Committee’s responsibilities also include the selection, recommendation and oversight of Resulting Issuer’s independent auditors, as well as the oversight of its internal audit process and system of internal controls over financial reporting and disclosure. The Audit Committee shall also be responsible for the pre-approval of all non-audit services to be provided to the Resulting

Issuer by its independent auditors. The Audit Committee shall review and confirm the independence of the independent auditors by obtaining statements from the independent auditors describing all relationships with the Resulting Issuer, including with respect to any non-audit services.

Executive Compensation

The following section sets out the anticipated compensation for each of Dr. Ngeh Toyang - *Chief Executive Officer*, Dr. Ngeh Toyang - *Chief Executive Officer*, Anthony Deasey – *Chief Financial Officer* and *Corporate Secretary*, Dr. Henry Lowe – *Executive Chairman* and Clark L. Swanson – *Executive Vice Chairman*, for the 12 month period after giving effect to the Transaction. The following disclosure is presented in accordance with Form 51-102F6 - *Statement of Executive Compensation*.

Compensation Discussion and Analysis

Compensation Governance

It will be the responsibility of the Resulting Issuer's board of directors as a whole to make decisions regarding executive compensation matters. The Resulting Issuer's compensation program is intended to support its commitment to delivering strong performance for shareholders. The Resulting Issuer's overall objective of its compensation philosophy is the attraction, motivation and retention of quality, experienced people to achieve the Resulting Issuer's strategic objectives and to align the interests of its executive officers and employees with the long-term interest of the Resulting Issuer's shareholders.

All of the components of the Resulting Issuer's executive compensation program will be reviewed and confirmed by its board of directors following the Completion of the RTO and the appointment of the new board members.

It is currently contemplated that executive compensation be comprised of the following components: (i) base salary, (ii) bonus and (iii) incentive stock options. Together, these components are designed to address the key objectives of the Resulting Issuer's compensation program.

Philosophy and Objectives

The proposed Resulting Issuer Board believes that the Resulting Issuer should provide a compensation package that is competitive and motivating, that will attract, hold and inspire qualified executives, that will encourage performance by executives to enhance the growth and development of the Resulting Issuer and that will balance the interests of the executives and the shareholders of the Resulting Issuer. Achievement of these objectives is expected to contribute to an increase in shareholder value.

Elements of Executive Compensation

It is expected that the Resulting Issuer will provide its executive officers with both fixed compensation, comprised of base salary, and performance-based variable incentive compensation, comprised of an annual cash bonus and long-term incentives in the form of awards under the Pinedale Stock Option Plan.

Base salary will be designed to provide income certainty and to attract and retain executives, and therefore will be based on the assessment of a number of factors such as current competitive market conditions, compensation levels within the peer group and factors particular to the executive, including individual performance, the scope of the executive's role with the Resulting Issuer and retention considerations. In addition to base salary, the Resulting Issuer may award executives with short term incentive awards in the form of annual cash bonuses. Annual cash bonuses are intended to provide short-term incentives to executives and to reward them for their yearly individual contribution and performance of personal objectives in the context of overall annual corporate performance. It is expected that the amount will not be pre-established and will be at the discretion of the Resulting Issuer Board. While it is expected there will be no target amount for annual cash bonuses, the Resulting Issuer Board will review similar factors as those discussed above in relation to base salary. Long-term incentive compensation will be provided through the granting of options under the Pinedale Stock Option Plan. Equity incentive awards will be designed to motivate executives to achieve long-term sustainable business results, align their interest with those of shareholders and to attract and retain executives. Awards will be based on a variety of factors, such as the need to attract or retain key individuals,

competitive market conditions and internal equity. Previous grants will be taken into account when considering new grants.

Risks

The proposed Board of the Resulting Issuer recognizes that certain elements of compensation could promote unintended inappropriate or excessive risk-taking behaviours; however, the Resulting Issuer will seek to ensure that executive compensation packages appropriately balance short-term incentives, in the form of base salaries, and long-term incentives, in the form of option-based awards. As a result of the factors discussed above, the proposed Board does not believe that its compensation policies and practices are reasonably likely to have a material adverse effect on the Resulting Issuer.

Summary Compensation Table – Proposed Compensation

Upon the Effective Date, the Resulting Issuer will have three executive officers. The following table sets forth the proposed compensation for the Resulting Issuer's three most highly compensated executive officers, in addition to the Chief Executive Officer, Corporate Secretary, Chief Financial Officer, for the 12-month period after giving effect to the Transaction:

Name and principal position	Year	Salary (\$) ⁽¹⁾	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Dr. Ngeh Toyang - Chief Executive Officer,	2021	180,000	Nil	Nil	Nil	Nil	Nil	Nil	180,000
Anthony Deasey – Chief Financial Officer,	2021	36,000	Nil	Nil	Nil	Nil	Nil	Nil	36,000
Dr. Henry Lowe – Executive Chairman	2021	192,000	Nil	Nil	Nil	Nil	Nil	Nil	192,000
Clark L. Swanson – Executive Vice Chairman	2021	180,000	Nil	Nil	Nil	Nil	Nil	Nil	180,000

Note:

- Annual salaries to be prorated in 2021. Proposed compensation to be paid for such period upon completion of the Transaction to year-end 2021.

Incentive Plan Awards

Share-based Awards

During the 12 month period after giving effect to the Transaction, it is not expected that the Resulting Issuer will grant any share-based awards, being awards granted under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

Option-based Awards

The Resulting Issuer intends to grant option-based awards, being awards granted under the Resulting Issuer's stock option plan, by granting options to its directors, officers and employees. However, the timing, amounts, exercise price and recipients of such issuances have not yet been determined. Such options are expected to be granted under the Pinedale Stock Option Plan which will be assumed by the Resulting Issuer. Please see the discussion under the heading "*Information Concerning Pinedale – Stock Option Plan*".

Pension Disclosure

The Resulting Issuer will not provide a pension to its directors or Named Executive Officers.

Termination and change of control benefits

The Resulting Issuer will not be a party to any contracts that relate to termination or change of control benefits.

Director Compensation

It is not expected that any director of the Resulting Issuer will receive any compensation in the 12 month period after giving effect to the Transaction for services rendered to the Resulting Issuer, and its subsidiaries, as a director other than options granted from time to time.

It is expected that the Resulting Issuer will grant options to the directors of the Resulting Issuer from time to time under the Pinedale Stock Option Plan. The Resulting Issuer may pay directors' fees to the directors of the Resulting Issuer in the future.

Indebtedness of Directors and Officers

Following the completion of the Transaction, no director, executive officer or senior officer, and no individual nominated by management for election as a director of the Resulting Issuer or any associate thereof, will be indebted to the Resulting Issuer, or has been so indebted at any time during the preceding financial year.

Investor Relations Arrangements

The Resulting Issuer has no plans to enter any agreements or understandings, either written or oral, with any person to provide promotional or investor relations services.

Options to Purchase Securities

The following table sets out certain information in respect of options to purchase securities of the Resulting Issuer that will be held upon completion of the Transaction and assuming the completion of the Private Placement, the following options and other rights to purchase Resulting Issuer Shares will be outstanding:

Category	Number of Resulting Issuer Shares Reserved Under Option	Exercise Price per Resulting Issuer Share	Expiry Date
All proposed officers of the Resulting Issuer, as a group ⁽¹⁾	3,965,000	USD\$0.31	October 30, 2028
All proposed directors of the Resulting Issuer who are not also officers, as a group	325,000	USD\$0.31	October 30, 2028
All officers of all subsidiaries of the Resulting Issuer, as a group	Nil	Nil	N/A
All directors of those subsidiaries who are not also officers of the subsidiary, as a group	Nil	Nil	N/A

Category	Number of Resulting Issuer Shares Reserved Under Option	Exercise Price per Resulting Issuer Share	Expiry Date
All other employees of the Resulting Issuer, as a group	Nil	Nil	N/A
All consultants of the Resulting Issuer, as a group	Nil	Nil	N/A
Any other Person or Company	Nil	Nil	N/A

Stock Option Plan

The Pinedale Stock Option Plan will continue to be the stock option plan of the Resulting Issuer. See information under the heading "*Information Concerning Pinedale– Stock Option Plan*".

Escrowed Securities

As of the date hereof, none of the Flavocure Shares are escrowed or subject to a pooling agreement. To the knowledge of Pinedale and Flavocure, as of the date hereof, the following table lists the names and municipalities of residence of the holders of escrowed securities, the number of securities of each class of securities of Pinedale or Flavocure currently held in escrow and, in the case of the Resulting Issuer, anticipated to be held in escrow after giving effect to the Transaction, and the percentage that number represents of the outstanding securities of that class.

Number of Municipality of Residence of Security holder	Designation of Class	Prior to Giving Effect to the Transaction ⁽¹⁾		After Giving Effect to the Transaction and THE Private Placement ⁽³⁾⁽⁴⁾	
		Number of Securities held in Escrow	% of Class	Number of Securities to be held in Escrow	% of Class
Dr. Henry Lowe <i>Wellington, Florida</i>	Flavocure Shares	508,750	50.87%	33,068,750	35.49%
Dr. Ngeh Toyang <i>Elkridge, Maryland</i>	Flavocure Shares	161,875	16.19%	10,521,875	11.29%
Clark Swanson <i>Henderson, Nevada</i>	Flavocure Shares	161,875	16.19%	10,521,875	11.29%
Total Escrowed Flavocure Shares/ Resulting Issuer Shares		832,500	83.25%	54,112,500	58.07%

Notes:

- (1) As of the date hereof, there are 112,472,114 Pinedale Shares outstanding and 1,000,000 Flavocure Shares outstanding.
- (2) Upon completion of the Transaction, it is anticipated that there will be 94,129,087 Resulting Issuer Shares outstanding.
- (3) Pursuant to Exchange Policy 5.4, all Principal Securities (as defined by Exchange Policy 5.4) upon completion of the Transaction are subject to escrow and will be held pursuant to a Surplus Security Escrow Agreement.
- (4) Does not include Pinedale Shares that may be acquired directly or indirectly pursuant to the Private Placement.

Surplus Security Escrow Agreement

In accordance with Exchange Policy 5.4, upon completion of the Transaction, the Resulting Issuer Shares issued to those three Persons indicated in the above table will be escrowed pursuant to the Surplus Security Escrow Agreement. It is anticipated that Computershare will act as a depository or escrow agent.

Release of Surplus Security Escrowed Shares

The Surplus Security Escrowed Shares are subject to a three-year escrow period and are scheduled to be released from escrow as follows:

Percentage of Escrowed Shares Released from Escrow	Release Date
5%	Date of Final Exchange Bulletin
5%	6 months from Final Exchange Bulletin
10%	12 months from Final Exchange Bulletin
10%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin
40%	36 months from Final Exchange Bulletin

In the event of the death of a holder of Surplus Security Escrowed Shares, the Surplus Security Escrowed Shares of such deceased holder will be released to his legal representatives.

Dealing with Surplus Security Escrowed Shares

The Surplus Security Escrowed Shares held pursuant to the Surplus Security Escrow Agreement may not be sold, assigned, transferred, redeemed, surrendered or otherwise dealt with in any manner except as provided by the Surplus Security Escrow Agreement. Subject to certain exceptions set forth in the Surplus Security Escrow Agreement, a holder of Surplus Security Escrowed Shares may:

- pledge, mortgage or charge its Surplus Security Escrowed Shares to a financial institution as collateral for a loan, provided that no Surplus Security Escrowed Shares or any share certificates or other evidence of escrow securities will be transferred or delivered by the escrow agent to the financial institution for this purpose;
- exercise voting rights attached to its Surplus Security Escrowed Shares, other than in support of one or more arrangements that would result in the repayment of capital being made on the Surplus Security Escrowed Shares prior to a winding up of the Resulting Issuer;
- receive a dividend or other distribution on its Surplus Security Escrowed Shares, and elect the manner of payment; and
- exercise its rights to exchange or convert its Surplus Security Escrowed Shares in accordance with the Surplus Security Escrow Agreement.

Permitted Transfers within Escrow

The Surplus Security Escrowed Shares may be transferred within escrow to an individual who is a director or senior officer of the Resulting Issuer or a material operating subsidiary of Resulting Issuer, provided that certain requirements of the Exchange are met, including that the new proposed transferee agrees to be bound by the terms of the Surplus Security Escrow Agreement. In the event of the bankruptcy of a holder of Surplus Security Escrowed Shares, the Surplus Security Escrowed Shares held by such holder may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such Surplus Security Escrowed Shares provided that certain prescribed Exchange requirements are met.

The Surplus Security Escrowed Shares may be transferred within escrow to a Person or Company that, before the transfer, holds greater than 20% of the voting rights attached to Resulting Issuer Shares or after the transfer will hold more than 10% of the voting rights attached to Resulting Issuer Shares and has the right to elect or appoint one or more directors or senior officers of Resulting Issuer or its material operating subsidiaries, provided that certain requirements of the Exchange are met, including that the new proposed transferee agrees to be bound by the terms of the Surplus Security Escrow Agreement.

Surplus Security Escrowed Shares may also be transferred within escrow by a holder of Surplus Security Escrowed Shares to a RRSP or a RRIF, provided that the Exchange receives proper notice of the same, the beneficiary of the

RRSP or RRIF is limited to the holder of the Surplus Security Escrowed Shares or his/her spouse, children or parents and the trustee of the RRSP or RRIF agrees to be bound by the terms of the Surplus Security Escrow Agreement.

Termination of Surplus Security Agreement

The Surplus Security Escrow Agreement may be terminated with respect to all parties in certain circumstances including, without limitation: (i) upon agreement of all parties of the Surplus Security Escrow Agreement, provided that (a) the agreement to terminate is evidenced by a memorandum in writing signed by all parties; (b) if the Resulting Issuer is listed on the Exchange, the termination of the Surplus Security Escrow Agreement has been consented to in writing by the Exchange; and has been approved by a majority vote of securityholders of the Resulting Issuer excluding in each case, the holders of Surplus Security Escrow Shares; or (ii) when all of the Surplus Security Escrowed Shares have been released from escrow pursuant to the Surplus Security Escrow Agreement.

Graduation to Tier 1

In the event the Resulting Issuer graduates from a Tier 2 issuer to a Tier 1 issuer, the release schedule for the Surplus Security Escrowed Shares will accelerate, with all of the Surplus Security Escrowed Shares ultimately being released from escrow on the date that is 18 months from the Final Exchange Bulletin.

Escrow of New Securities

If the Surplus Security Escrowed Shares are exchanged for new securities in the event of a business combination, merger, or other similar transaction, the new securities received will be subject to escrow in substitution of the tendered Surplus Security Escrowed Shares, unless certain requirements of the Exchange are met, including if the holder does not become a Principal of the successor issuer.

Seed Share Resale Restrictions

Pursuant to Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, certain shareholders of Flavocure, upon conversion into Resulting Issuer Shares, will be subject to SSRRs. SSRRs are Exchange hold periods of various lengths which apply where seed shares are issued to non-Principals by private companies in connection with the Transactions. The terms of the SSRRs are based on the length of time such Flavocure Shares have been held and the price at which such shares were originally issued. Such Resulting Issuer Shares will either be issued with a restrictive legend such that the securities may not be traded until released from the applicable SSRR.

Auditors, Transfer Agent and Registrar

The Resulting Issuer's independent auditors will be MNP, located at Suite 2000, 330 5th Ave SW Calgary, AB T2P 0L4. The transfer agent and registrar for the Resulting Issuer will be Computershare, having a head office at 510 Burrard St, Vancouver, BC V6C 3B9.

It is expected that Computershare will serve as the Resulting Issuer's registrar and transfer agent upon completion of the Transaction. It is expected that transfers of the securities of the Resulting Issuer may be recorded at registers maintained by Computershare in Calgary, Alberta at 324 8 Ave SW #800, Calgary, AB T2P 2Z2.

PART VI - GENERAL MATTERS

Agent Relationship

Leede Jones Gable Inc. acted as the Agent in connection with the Private Placement. The Agent received a Cash Fee from the sale of the Brokered Subscription Receipts (one-half of which, together with the corporate finance fee, will be payable upon the closing of the Brokered Private Placement), and the remainder payable on the date the Brokered Private Placement proceeds are released from escrow. The Agent's Option will be issued on the date that Brokered Private Placement proceeds are released from escrow as partial consideration for their services in connection with the Brokered Private Placement. Pinedale and its directors and officers have no relationship with the Agent. Other than as described above, neither Pinedale nor Flavocure has entered into any agreement with any registrant to provide sponsorship or corporate finance services, either now or in the future.

Sponsorship and Relationships

Sponsorship is required by the TSXV unless exempt therefrom in accordance with the TSXV's policies or a waiver is obtained. Pinedale intends to make an application to the TSXV for a waiver from sponsorship requirements. There is no assurance that a waiver will be granted on application.

Experts

Except as disclosed herein, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement holds any beneficial interest, direct or indirect, in any securities or property of Pinedale or Flavocure or of an Associate or Affiliate of Pinedale or Flavocure, respectively, and no such person is expected to be elected, appointed or employed as a director, officer or employee of Pinedale or Flavocure or of an Associate or Affiliate of Pinedale or Flavocure, respectively.

MNP LLP is the auditor of the Resulting Issuer upon completion of the Transaction. MNP LLP is the auditor or Pinedale and Flavocure and is independent of Pinedale and Flavocure within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

Expertised Reports

There is no expertised report prepared to support the recommendation(s) of the Pinedale Board.

Other Material Facts

There are no material facts about Pinedale, Flavocure, the Resulting Issuer or the Transaction which are not otherwise disclosed under the preceding items and are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating Pinedale, Flavocure and the Resulting Issuer, assuming completion of the Transaction.

Pinedale Board Approval

The Pinedale Board has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Pinedale, Pinedale has relied upon information furnished by such person.

Flavocure Board Approval

The Flavocure Board has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Flavocure, Flavocure has relied upon information furnished by such person.

[Signature page follows]

ACKNOWLEDGEMENT

“Personal Information” means any information about an identifiable individual, and includes information contained in any Items in the attached filing statement/information circular that are analogous to Items 4.2, 11, 13.1, 16, 18.2, 19.2, 24, 25, 27, 32.3, 33, 34, 35, 36, 37, 38, 39, 41 and 42 of Exchange Form 3D2, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the TSXV (described in Appendix 6B of Exchange Form 3D2) pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the TSXV for purposes described in Appendix 6B of Exchange Form 3D2 or as otherwise identified by the TSXV from time to time.

FLAVOCURE BIOTECH, INC.

PINEDALE ENERGY LIMITED

Per: “Clark Swanson”
Title: Director and Executive Vice Chairman

Per: “Claus Andrup”
Title: Director and Interim Chief Executive Officer

EXHIBIT "A"
AUDITED FINANCIAL STATEMENTS OF FLAVOCURE FOR THE YEARS ENDED
DECEMBER 31, 2020, 2019 AND 2018

Flavocure Biotech Inc.
Financial Statements

For the years ended December 31, 2020 and 2019

To the Shareholders of Flavocure Biotech Inc.:

Opinion

We have audited the financial statements of Flavocure Biotech Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company generated a net loss and negative cash flows from operating activities during the year ended December 31, 2020 and, as of that date, the Company had a working capital deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Calgary, Alberta
May 14, 2021

MNP LLP
Chartered Professional Accountants

Flavocure Biotech Inc.

Statements of Financial Position

(Stated in United States dollars, unless otherwise noted)

As at December 31

	Notes	2020	2019
ASSETS			
Current assets			
Cash		\$ 379,631	\$ 53,975
Receivables	15	23,400	4,542
Promissory note	16	75,000	-
Total current assets		478,031	58,517
Non-current assets			
Intangible assets	5	533,353	581,840
Total non-current assets		533,353	581,840
Total assets		\$ 1,011,384	\$ 640,357
LIABILITIES AND SHAREHOLDERS DEFICIENCY			
Current liabilities			
Trade payables and accrued liabilities	6	\$ 1,308,501	\$ 763,596
Short-term debt	15, 7	267,503	608,377
Convertible debentures	8	2,719,139	-
Derivative liability	9	-	450,927
Total current liabilities		\$ 4,295,143	\$ 1,822,900
Shareholders' deficiency			
Share capital	12(a)	1,046,515	1,046,515
Contributed Surplus	12(b)	76	76
Deficit		(4,330,350)	(2,229,134)
Total shareholders' deficiency		(3,283,759)	(1,182,543)
Total liabilities and shareholders' deficiency		\$ 1,011,384	\$ 640,357

Going concern (Note 1)

Subsequent events (Note 17)

Approved by the Board of Directors:

"signed"
Director

"signed"
Director

Flavocure Biotech Inc.

Statements of Loss and Comprehensive Loss

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31,

	Notes	2020	2019
Expenses			
Research and development		\$ 1,327,006	\$ 1,215,588
Salaries, wages and benefits		578,294	450,724
Professional fees		471,532	168,646
Sales, travel and business development		22	30,880
Interest	7,8	187,441	12,030
General and administrative		28,181	6,382
Share based compensation	12	-	4
Amortization of Intangible Asset	5	48,487	-
Change in fair value of derivative liability	9	(450,927)	(2,559)
Proceeds of forgiveness of PPP Loan	7	(88,820)	-
Total expenses		2,101,216	1,881,695
Net loss and comprehensive loss for the year		\$ 2,101,216	\$ 1,881,695
Weighted average common shares outstanding – basic and diluted	10	1,000,000	981,096
Loss per share – basic and diluted		\$ (2.10)	\$ (1.92)

Flavocure Biotech Inc.

Statements of Changes in Shareholders' Deficiency

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2018	\$ 1	\$ 72	\$ (347,439)	\$ (347,366)
Net loss	-	-	(1,881,695)	(1,881,695)
Issuance of shares	1,046,514	-	-	1,046,514
Share based payments	-	4	-	4
Balance, December 31, 2019	1,046,515	76	(2,229,134)	(1,182,543)
Net Loss	-	-	(2,101,216)	(2,101,216)
Balance, December 31, 2020	1,046,515	76	(4,330,350)	(3,283,759)

The accompanying notes are an integral part of the financial statements.

Flavocure Biotech Inc.

Statements of Cash Flows

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

	Notes	2020	2019
Cash flows related to the following activities:			
Operating activities			
Net loss		\$ (2,101,216)	\$ (1,881,695)
Items not affecting cash:			
Interest on convertible debentures	8	169,539	-
Stock based compensation	12	-	4
Amortization	5	48,487	-
Fair value adjustment of derivatives liability	9	(450,927)	(2,559)
Net change in non-cash working capital items:			
Trade payables and accrued liabilities		544,905	530,079
Receivables		(18,858)	-
Cash flows used in operating activities		\$ (1,808,070)	\$ (1,354,171)
Financing activities			
Proceeds from short-term debt	7	-	(164,818)
Repayment of short-term debt	7	(75,114)	-
Promissory Note	11	(75,000)	-
Repayments of convertible debt to related party	8	(215,760)	-
Proceeds on issuance of convertible debentures	8	2,499,600	-
Issuance of shares		-	1,500,000
Cash flows from financing activities		\$ 2,133,726	\$ 1,335,182
Investing activities			
Intangible asset expenditures	5	-	(21,000)
Cash flows used in investing activities		-	(21,000)
Increase (decrease) in cash		325,656	(39,989)
Cash, beginning of the year		53,975	93,964
Cash, end of the year		\$ 379,631	\$ 53,975

The accompanying notes are an integral part of the financial statements.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

1. Incorporation and Operations

Flavocure Biotech Inc. ("Company") was incorporated pursuant to the laws of the State of Delaware on October 4, 2018.

The head office of the Company is located at 701 East Pratt Street, Baltimore, Maryland, USA, 21202 while the registered office is located at Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware, USA, 19801.

The Company is primarily in the discovery, development and commercialization of novel therapeutics used in the treatment of cancer and the treatment of a number of cancer indications.

Going concern

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2020, the Company generated a net loss of \$2,101,216 (2019 - \$1,881,695) and negative cash flows from operating activities of \$1,808,070 (2019 - \$1,354,171) and, as at that date, the Company has a working capital deficit of \$3,817,112 (2019 - 1,764,383). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to continue its research and development of cancer treatments.

The ability of the Company to be successful in obtaining additional future financing cannot be predicted at this present time. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The World Health Organization declared a pandemic related to the continuing worldwide spread of the Coronavirus (COVID-19) virus. The confusion and uncertainty caused by this health threat is expected to seriously impact the economies of many of the world's countries, including the United States of America, and will certainly have a negative impact on businesses worldwide. Under current conditions, however, it is impossible to reliably estimate the impact of the pandemic on the Company's future financial results. The current challenging economic climate relating to the effect of the COVID-19 may lead to challenges in managing cash flows and the ability to raise capital to complete a go-public transaction (Note 17).

2. Basis of Preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective on January 1, 2020.

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2021.

Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These financial statements are presented in USD which is also the Company's functional currency. All amounts stated herein are in USD unless otherwise noted.

3. Significant Accounting Policies

Cash

Cash consists of bank balances with financial institutions in the United States.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies *(continued)*

Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method will be reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization is recorded on a straight line basis over the life of the license of approximately 16 years.

Internally generated intangible assets - Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies *(continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, limited such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Impairment recognized on goodwill is not reversed.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Share-based payments

The Company uses the fair value method to account for options to be granted to employees, directors and officers. All options and similar instruments that are granted to non-employees are also accounted for at the fair value of the goods or services received unless the fair value of the goods or services cannot be estimated reliably. The fair value method consists of recording share-based payments to the statements of comprehensive loss over the vesting period of each tranche of options granted. Where the vesting period is based on the market price of the Company's common shares, the vesting period is estimated using a binomial option pricing model. At the time of exercise, the consideration and the related contributed surplus recognized to the exercise date are credited to share capital.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Debt with warrants and convertible options

The Company issues debt that may have separate warrants, conversion features or no equity-linked attributes which are accounted for as compound or hybrid financial instruments based on its features.

For convertible debt with warrants classified as hybrid financial instruments, the Company elects on an instrument-by-instrument basis to bifurcate embedded derivatives or fair value of the entire instrument.

Derivative liability

The Company uses the fair-value method of accounting for derivative liabilities and as such liabilities are re-measured at each reporting date with changes in fair value recorded to the statement of loss and comprehensive loss in the period incurred. The fair value is estimated using a Monte Carlo simulation model.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies *(continued)*

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive loss or directly in equity respectively.

Loss per share

Basic loss per share is computed by dividing the total comprehensive loss for the year attributable to shareholders by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effect of stock options and warrants. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's stock at the average market price during the year. No adjustment to diluted loss per share is made if the result of this calculation is anti-dilutive or if the Company is in a loss position.

Financial Instruments

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification categories are as follows:

- A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

3. Significant Accounting Policies *(continued)*

Financial liabilities – The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the statement of loss and comprehensive loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognized in the statement of loss and comprehensive loss.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

Cash, receivables, promissory note, trade payables and accrued liabilities, convertible debentures and short-term debt are classified at amortized cost.

Impairment of financial assets

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

Government assistance

Government assistance, including grants and other programs, are recorded as income. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the government assistance will be received.

4. Accounting Estimates and Judgments

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Expected credit losses

The Company's receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime ECL on receivables for which there has been a significant increase in credit risk since initial recognition. The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimate as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

4. Accounting Estimates and Judgments *(continued)*

Impairment of non-financial assets

The determination of whether indicators of impairment exist is based on management's judgment of whether there are internal and external factors that would indicate that a non-financial asset is impaired. The recoverable amounts used for impairment calculations require estimates of future net cash flows related to the assets or CGU's, probability of successful contract proposals and estimates of discount rates applied to these cash flows.

Convertible debentures and derivative liability

The Company makes estimates relating to the selection of an appropriate market rate of interest to discount contract interest and principal payments of the compound financial instrument. There are also estimates relating to the fair value of embedded features which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model including the expected life of the instrument, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends..

Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the financial statements.

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Corporation must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual research and development programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

5. Intangible Assets

Intangible assets consist of an exclusive, irrevocable, royalty-free worldwide license from Flavocure Biotech, LLC (“LLC”) a company related through common directors. This license includes right for use of patents, technology and trademark, and LLC’s interest in any improvements, to develop and commercialize products related to the license. The license includes the right to grant certain sublicenses. The license agreement expires upon the expiration of the last patent claim licensed under the agreement.

	Licenses	
Cost:		
Balance, December 31, 2018	\$	560,840
Additions		21,000
Balance, December 31, 2020 and 2019	\$	581,840
Accumulated amortization:		
Balance, December 31, 2018 and 2019	\$	-
Amortization		48,487
Balance, December 31, 2020	\$	48,487
Net book value:		
Balance, December 31, 2019	\$	581,840
Balance, December 31, 2020	\$	533,353

6. Trade Payables and Accrued Liabilities

	2020		2019	
Accounts payable	\$	946,981	\$	544,220
Accrued liabilities		361,520		219,376
	\$	1,308,501	\$	763,596

7. Short-term Debt

	2020		2019	
Demand loans (a)		263,496		263,496
8% Promissory notes (b)		4,007		4,007
12% Promissory notes (c)		-		340,874
	\$	267,503	\$	608,377

- a) The demand loans are interest free and unsecured.
- b) The balance for the 8% promissory notes represents unpaid interest on these promissory notes.
- c) The promissory notes bear interest at 12% per annum. During the period, \$265,760 was converted into convertible debentures (Note 8) and \$75,114 was repaid.
- d) On May 4, 2020, the Company was granted a loan (the “Loan”) from Bank of America, N.A (the “Lender”) in the aggregate amount of \$88,820, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated May 4, 2020, issued by the Lender, matures on May 4, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 4, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan was forgiven at December 17, 2020 and the forgiveness has been recorded as proceeds of forgiveness of PPP loans in the statements of loss and comprehensive loss.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

8. Convertible Debentures

	December 31 31, 2020	December 31, 2019
Issuance of convertible debentures	\$ 2,640,000	-
Conversion of short-term debt (Note 7)	265,760	-
Interest	169,539	-
Issuance costs	(140,400)	-
Repayment	(215,760)	-
	2,719,139	\$ -

The Debentures have a term of 1 year and are convertible into Units consisting of one share of the Company's stock and one warrant to purchase a share of the Company's stock each priced at \$25 per share. During the year the Company raised an additional \$2,190,000 through the issuance of 12% convertible debentures. The convertible debentures are secured against the Company's license agreement with Flavocure Biotech LLC dated March 27, 2019 and a subsequent assignment of Intellectual Property rights dated September 2019. During the period debentures of \$210,000 plus accrued interest were redeemed for cash.

9. Derivative liability

On April 4, 2019, the Company issued 75,000 units of the Company which were comprised of shares and warrants. The terms of the issuance contained certain anti-dilutive provisions which expire 18 months from the closing date. The financing was not closed as at September 30, 2020 and as a result the anti-dilutive provision expired and the fair value adjustment reduced the value of the liability to \$nil. If the Company issues additional shares or warrants at a price of less than \$20 exercise price per share then the Company will be required to issue additional shares and/or warrants at no additional consideration. The anti-dilutive provision results in the fixed for fixed criteria under IAS 32 – Financial Instruments not being met. Accordingly, this has been accounted for a derivative liability. The fair value was calculated using a Monte Carlo simulation using the following key assumptions:

	December 31, 2019
Share price	\$ 20
Expected date of future financing	July 31, 2020
Expected years to future financing	0.58
Volatility	90%
Risk free rate	1.60

The carrying amount of the derivative liability is as follows:

Balance, December 31, 2019	\$ 450,927
Fair value adjustment	(450,927)
Balance, December 31, 2020	\$ -

10. Loss per share

For the years ended December 31, 2020 and 2019, all warrants and stock options were excluded from the diluted loss per share calculation as their effect was anti-dilutive.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

11. Capital Management

The Company's capital consists of share capital. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at year end.

12. Share Capital

a) Common shares

Authorized: 1,000,000 common shares.

Issued:	Number of Shares	Amount
Balance, December 31, 2018	925,000	\$ 1
Shares issued for cash	75,000	1,046,514
Balance, December 31, 2020 and 2019	1,000,000	\$ 1,046,515

On April 4, 2019, the Company issued 75,000 units of the Company for aggregate proceeds of \$1,500,000. Each unit contains one common share of the Company and one warrant which grants the holder the option to acquire one common share at an exercise price of \$20 for a period of 5 years from the date of issuance. These units included an anti-dilutive provision with an initial value of \$453,486 which has been recorded as a derivative liability (Note 9).

b) Stock options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company, in its discretion, and in accordance with the Exchange requirements, may grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares.

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price	Weighted average life
Balance, December 31, 2018	80,000	\$ 20	11.65
Granted	5,000	20	10.00
Balance, December 31, 2020 and 2019	85,000	\$ 20	10.55

The following table summarizes information about stock options outstanding and exercisable at December 31, 2020:

Number of Shares	Exercise Price	Expiry date	Vested
85,000	\$ 20.00	October 30, 2028-2033	85,000

On March 31, 2019, the Company granted 5,000 stock options of the Company at an exercise price of \$20 per common share for a period of ten years. The share-based compensation expense of \$4 was recognized, being the fair value determined using the Black-Scholes option pricing model with following assumptions: Risk free interest rate of 1.92%; Expected life of 10 years; Expected volatility of 179% and dividend yield of nil. The options vest monthly over 3 years. Expected volatility was determined based on an average of volatilities of similar public traded entities in the Company's peer group.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

13. Taxes

The tax provision recorded in the financial statements differs from the amount computed by applying the combined Federal and state income tax statutory rates to loss before tax as follows:

	2020	2019
Loss before taxes	\$ (2,101,216)	\$ (1,881,295)
Statutory income tax rate (%)	27%	27%
Expected recovery at statutory rate	(567,328)	(508,058)
Increase (decrease) in taxes resulting from:		
Non-deductible items	(144,926)	173
Deferred tax benefits not recognized	712,254	507,885
Income tax provision	-	-

The Company has not recognized a differed tax asset in respect of the following deductible temporary differences:

	2020	2019
Net operating losses – United States	\$ 4,820,760	\$ 2,219,333

The Company's net operating are available to reduce future years' taxable income in the United States. Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be offset. Management estimates future income using forecasts based on the best available current information. Based on the current estimates, no deferred tax asset has been recorded.

14. Financial Instruments and Risk Management

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash, promissory notes, receivables and trade payables and accrued liabilities, short-term debt approximates its fair value due to the short-term maturities of these items. Convertible debenture's carrying value approximates fair value due to the market rate of interest.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's primary source of credit risk is its cash balance. The Company believes it has no significant credit risk associated with cash as it is held with a major Canadian financial institution and its receivables and promissory notes are with holders of known credit worthiness.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of \$379,631 (December 31, 2019 - \$53,973) to settle liabilities of \$4,295,143 (December 31, 2019 - \$1,822,900).

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

14. Financial Instruments and Risk Management (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- i. Interest rate risk
The Company does not have significant interest rate risk as it only has cash balances and interest-bearing debt at fixed rates.
- ii. Foreign currency risk
The Company does not have assets or liabilities in foreign currency.
- iii. Commodity risk
The Company is not exposed to commodity price risk.

The following table sets forth details of the payment profile of financial liabilities based on their undiscounted cash flows:

As at December 31, 2020	< 1 year	1 – 2 years	> 2 years	Total
Trade payables and accrued liabilities	\$ 1,308,501	-	-	\$ 1,308,501
Short-term debt	267,503	-	-	267,503
Convertible debentures	2,719,139	-	-	2,719,139
	\$ 4,295,143	-	-	\$ 4,295,143

As at December 31, 2019	< 1 year	1 – 2 years	> 2 years	Total
Trade payables and accrued liabilities	\$ 763,596	-	-	\$ 763,596
Short-term debt	608,377	-	-	608,377
	\$ 1,371,973	-	-	\$ 1,371,973

15. Related Party Transactions

a) Key management personnel compensation

The Company defines key management personnel as being the Executive Chairman, Executive Vice Chairman, Chief Executive Officer and Chief Financial Officer.

For the year ended December 31, 2020, key management personnel compensation included in salaries, wages and benefits on the statements of loss and comprehensive loss of \$397,737 (2019 – \$345,714)

b) Receivables

During the year ended December 31, 2020, the Company acquired a 10% interest in Vilotos, Inc., a biotechnology business, developing antiviral products. The Company granted Vilotos certain rights related to its technology. The Company also agreed to provide Vilotos an interest free loan of up to \$100,000. As at December 31, 2020 Vilotos had drawn \$23,400.

As at December 31, 2019, receivables of \$4,541 represent amounts owing from related parties which are unsecured, bear no interest and repayable on demand.

c) Short-term debt

As at December 31, 2020, short-term debt includes \$267,503 (2019 - \$608,377) owing to certain directors and officers of the Company. Short-term debt of \$75,114 owing to a related party was repaid.

d) Stock options

During the period ended December 31, 2020, the Company granted stock options having a fair value of \$nil (2019 – \$4) to directors and officers of the Company.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the years ended December 31, 2020 and 2019

15. Related Party Transactions *(continued)*

e) Convertible Debentures

During the year ended December 31, 2020, the Company converted a Directors holding of \$215,760 of 12% convertible notes into 12% convertible debentures and additionally another Director purchased \$50,000 of convertible debentures. In September 2020, the Company redeemed a director's holding of \$210,000 convertible debentures together with accumulated interest of \$23,661.

Transactions with related parties are in the normal course of operations and are initially recorded at fair value.

16. Promissory Note

On October 6, 2020, the Company entered into a Merger Agreement and Plan of Reorganization ("Merger Agreement") with Pinedale Energy Limited ("Pinedale") and its wholly owned subsidiary Pinedale Energy USA Inc. ("Subco"). Pursuant to the Merger Agreement, Pinedale and the Company entered into an interest free promissory note in the amount of \$75,000 dated September 18, 2020, with a repayment date of December 31, 2020. On December 31, 2020, the Company and Pinedale agree to extend the term of the promissory note (Note 17) from December 31, 2020 to April 30, 2021 or such date as may be mutually agreed between the parties.

17. Subsequent Events

- a) Pursuant to the Merger Agreement, the Company, Subco and Pinedale intend to complete a reorganization (the "Merger") in which the Company will merge with Subco to form a surviving corporation ("Mergeco") which carries on under the existing legal entity of Subco. It is anticipated that Pinedale will complete a brokered private placement of Subscription Receipts at a price of CAD\$0.40 per Subscription Receipt for up to gross proceeds of CAD\$3,000,000 based on 7,500,000 Subscription Receipts, subject to minimum gross proceeds of CAD\$1,500,000 based on 3,750,000 Subscription Receipts. The shareholders of the Company will receive 65 common shares of Pinedale for each share held of the Company which will result in a reverse takeover of Pinedale. Upon the completion of the Merger, each Subscription Receipt will automatically be converted into common shares of Mergeco.

Upon completion of the Merger, Mergeco will carry on the business of the Company, and is expected to change its name to Flavocure Biotech Inc.

Pursuant to the Merger Agreement, Pinedale is required to implement a ten to one consolidation of its outstanding common shares. The Company's convertible notes will be automatically converted into common stock in connection with the Merger.

Also, the shareholders of the Company will receive post-consolidation common shares of Mergeco based upon the exchange ratio, which is 65 post-consolidation common shares for each of the Company's common shares held. It is expected that the shareholders of the Company will control approximately 80% of the issued and outstanding shares of Mergeco. The Board of Directors and officers of Mergeco will be appointed by the Company.

The current challenging economic climate relating to the effect of the Coronavirus (COVID-19) may lead to challenges in managing cash flows and the ability to raise capital. These items may have a direct adverse impact on the Company's ability to close the Merger.

- b) On March 4, 2021, the Company was granted a loan (the "Loan") from Bank of America, N.A (the "Lender"). in the aggregate amount of \$78,892, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated March 4, 2021 issued by the Lender, matures on May 4, 2026 and bears interest at a rate of 1.00% per annum, payable monthly commencing on the earlier of the date that is 10 months after the covered period ends as determined in accordance with Section 1106 of the CARES act if forgiveness has not been applied for or on the date the SBA notifies that the Company that the loan has not been forgiven. The Loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before August 19, 2021. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

- c) Subsequent to December 31, 2020, the Company raised an additional \$250,000 in 12% convertible debentures.

Flavocure Biotech Inc.
Financial Statements

*For the year ended December 31, 2019 and the period from October 4, 2018 (date of incorporation)
to December 31, 2018*

To the Directors of Flavocure Biotech Inc.:

Opinion

We have audited the financial statements of Flavocure Biotech Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year ended December 31, 2019, and for the period from October 4, 2018 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and for the period from October 4, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company generated a net loss and negative cash flows from operating activities during the year ended December 31, 2019 and, as of that date, the Company had a working capital deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta

April 27, 2021

MNP LLP

Chartered Professional Accountants

Flavocure Biotech Inc.

Statements of Financial Position

(Stated in United States dollars, unless otherwise noted)

As at December 31,

	Notes	2019	2018
ASSETS			
Current assets			
Cash		\$ 53,975	\$ 93,964
Receivables	13	4,542	4,542
Total current assets		58,517	98,506
Non-current assets			
Intangible assets	5	581,840	560,840
Total non-current assets		581,840	560,840
Total assets		\$ 640,357	\$ 659,346
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade payables and accrued liabilities	6	\$ 763,596	\$ 233,517
Short-term debt	7	608,377	773,195
Derivative liability	8	450,927	-
Total liabilities		1,822,900	1,006,712
Shareholders' deficiency			
Share capital	9a	1,046,515	1
Contributed Surplus	9b	76	72
Deficit		(2,229,134)	(347,439)
Total shareholders' deficiency		(1,182,543)	(347,366)
Total liabilities and shareholders' deficiency		\$ 640,357	\$ 659,346

Going concern (Note 1)

Subsequent events (Note 14)

Approved by the Board of Directors:

“Signed”

Director

“Signed”

Director

Flavocure Biotech Inc.

Statements of Loss and Comprehensive Loss

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

	Notes	2019	2018
Expenses			
Research and development		\$ 1,215,588	\$ 217,111
Salaries, wages and benefits		450,724	79,356
Professional fees		168,646	22,746
Sales, travel and business development		30,880	21,531
Interest on short-term debt	7	12,030	-
General and administrative		6,382	6,623
Share based compensation	9b	4	72
Fair value adjustment of derivative liability	8	(2,559)	-
Total expenses		1,881,695	347,439
Net loss and comprehensive loss for the year		\$ 1,881,695	\$ 347,439
Weighted average common shares outstanding –			
basic and diluted	9c	981,096	925,000
Loss per share – basic and diluted		\$ 1.92	\$ 0.38

The accompanying notes are an integral part of the financial statements.

Flavocure Biotech Inc.

Statements of Changes in Shareholders' Deficiency

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficiency
Balance on Incorporation	\$ -	\$ -	\$ -	\$ -
Issuance of founder shares	1	-	-	1
Share-based payments	-	72	-	72
Net loss	-	-	(347,439)	(347,439)
Balance, December 31, 2018	\$ 1	\$ 72	\$ (347,439)	\$ (347,366)
Issuance of shares	1,046,514	-	-	1,046,514
Share-based payments	-	4	-	4
Net loss	-	-	(1,881,695)	(1,881,695)
Balance, December 31, 2019	\$ 1,046,515	\$ 76	\$ (2,229,134)	\$ (1,182,543)

Flavocure Biotech Inc.

Statements of Cash Flows

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

	Notes	2019	2018
Cash flows related to the following activities:			
Operating activities			
Net loss		\$ (1,881,695)	\$ (347,439)
Items not affecting cash:			
Stock based compensation	9b	4	72
Fair value adjustment of derivative liability		(2,559)	-
Net change in non-cash working capital items:			
Receivables		-	(4,542)
Trade payables and accrued liabilities		530,079	233,547
Cash flows used in operating activities		(1,354,171)	(118,392)
Financing activities			
Financing provided by short term debt	7	(164,818)	420,000
Issuance of shares	9a	1,500,000	1
Cash flows from financing activities		1,335,182	420,001
Investing activities			
Intangible asset expenditures	5	(21,000)	(207,645)
Cash flows used in investing activities		(21,000)	(207,645)
(Decrease) Increase in cash		(39,989)	93,964
Cash, beginning of the year		93,964	-
Cash, end of the year		\$ 53,975	\$ 93,964

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

1. Incorporation and Operations

Flavocure Biotech Inc. ("Company") was incorporated pursuant to the laws of the State of Delaware on October 4, 2018.

The head office of the Company is located at 701 East Pratt Street, Baltimore, Maryland, USA, 21202 while the registered office is located at Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware, USA, 19801.

The Company is primarily in the discovery, development and commercialization of novel therapeutics used in the treatment of cancer and the treatment of a number of cancer indications.

Going concern

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2019, the Company generated a net loss of \$1,881,695 (2018 - \$347,439) and negative cash flows from operating activities of \$1,353,171 (2018 - \$118,392) and, as at that date, the Company has a working capital deficit of \$1,764,383 (2018 - \$908,206). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to continue its research and development of treatments of cancer.

The ability of the Company to be successful in obtaining additional future financing cannot be predicted at this present time. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of Preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective on January 1, 2019. These financial statements represent the Company's first presentation of the financial results of operations and financial position under IFRS.

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on April 27, 2021.

Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These financial statements are presented in USD which is also the Company's functional currency. All amounts stated herein are in USD unless otherwise noted.

3. Significant Accounting Policies

Cash

Cash consists of bank balances with financial institutions in the United States.

Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

3. Significant Accounting Policies *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization will be recognized on a basis and over an estimated useful life which approximates the life of the asset to the Company. The estimated useful life and amortization method will be reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets - Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Patents

It is the Company's practice to seek patent protection on processes and products. The Company capitalizes the costs incurred for patent applications filed and pending approval. Patents are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful life of 15 years.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The Company assesses goodwill at least annually. Goodwill is allocated to each CGU, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each CGU is compared to the carrying value of its net assets.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

3. Significant Accounting Policies *(continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, limited such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Impairment recognized on goodwill is not reversed.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Share-based payments

The Company uses the fair value method to account for options to be granted to employees, directors and officers. All options and similar instruments that are granted to non-employees are also accounted for at the fair value of the goods or services received unless the fair value of the goods or services cannot be estimated reliably. The fair value method consists of recording share-based payments to the statements of comprehensive loss over the vesting period of each tranche of options granted. Where the vesting period is based on the market price of the Company's common shares, the vesting period is estimated using a binomial option pricing model. At the time of exercise, the consideration and the related contributed surplus recognized to the exercise date are credited to share capital.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Derivative liability

The Company uses the fair-value method of accounting for derivative liabilities and as such liabilities are re-measured at each reporting date with changes in fair value recorded to the statement of loss and comprehensive loss in the period incurred. The fair value is estimated using a Monte Carlo simulation model.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

3. Significant Accounting Policies *(continued)*

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive loss or directly in equity respectively.

Loss per share

Basic loss per share is computed by dividing the total comprehensive loss for the year attributable to shareholders by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effect of stock options and warrants. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's stock at the average market price during the year. No adjustment to diluted loss per share is made if the result of this calculation is anti-dilutive or if the Company is in a loss position.

Financial Instruments

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification categories are as follows:

- A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities – The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the statement of loss and comprehensive loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognized in the statement of loss and comprehensive loss.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

Cash, receivables, trade payables and accrued liabilities, and short-term debt are classified at amortized cost.

Impairment of financial assets

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

Recently adopted accounting standards

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedients allowing a) the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application, and b) the measuring the right-of-use asset on transition as being equal to the amount of the lease liability initially recognised on transition. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). As the Company currently does not have any lease commitments, the adoption of IFRS 16 did not have any material impact to the Company's financial statements.

4. Accounting Estimates and Judgments

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Expected credit losses

The Company's receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime ECL on receivables for which there has been a significant increase in credit risk since initial recognition. The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

4. Accounting Estimates and Judgments *(continued)*

Derivative liability

Determining the fair value of derivative liabilities requires estimate as to the appropriate valuation model and the inputs for the model require assumptions including the expected life of the instrument, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimate as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

Impairment of non-financial assets

The determination of whether indicators of impairment exist is based on management's judgment of whether there are internal and external factors that would indicate that a non-financial asset is impaired. The recoverable amounts used for impairment calculations require estimates of future net cash flows related to the assets or CGU's, probability of successful contract proposals and estimates of discount rates applied to these cash flows.

Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the financial statements.

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Corporation must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

5. Intangible Assets

On October 17, 2018, the Company entered into an agreement with Flavocure Biotech, LLC ("LLC"), a company related by common directors, whereby LLC hereby granted to the Company an exclusive, irrevocable, royalty-free worldwide license, including the right to grant certain sublicenses, to LLC's patent, technology and trademark rights, and LLC's interest in any improvements, to develop and commercialize products related to the license. The agreement expires upon the expiration of the last patent claim licensed under the agreement.

In consideration of the grant of the license, the Company assumed certain of LLC's debt including outstanding operating accounts owed, credit and loans payable by LLC and not exceeding a total sum of US\$600,000.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

5. Intangible Assets (continued)

		Licenses
Cost:		
Balance October 4, 2018	\$	-
Additions		560,840
Balance, December 31, 2018	\$	560,840
Additions		21,000
Balance, December 31, 2019	\$	581,840

The Company is continuing to invest in developing its products relating to the rights provided by the license. As the asset has not yet reached commercialization, the Company has not recorded amortization on the license asset.

6. Trade Payables and Accrued Liabilities

	2019		2018	
Accounts payable	\$	544,037	\$	142,588
Accrued liabilities		219,558		90,929
	\$	763,596	\$	233,517

7. Short-term debt

	2019		2018	
Secured promissory note (a)	\$	-	\$	500,000
Demand loans (b)		263,496		273,195
Promissory note (c)		344,881		-
	\$	608,377	\$	773,195

a) The secured promissory note bears interest at 8% per annum, secured by the licence granted to the Company by LLC was repaid during the year ended December 31, 2019.

b) The demand loans are interest free and unsecured (Note 13).

c) The promissory notes bear interest at 12% per annum and are repayable on March 31, 2020 (Note 12). Accrued interest at December 31, 2019 was \$10,031. Subsequent to year end \$260,000 of the promissory notes were converted into 12% convertible debentures. (Note 13(c)).

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

8. Derivative liability

On April 1, 2019, the Company issued 75,000 units of the Company comprised of shares and warrants. The terms of the issuance contained certain anti-dilutive provisions which expire 18 months from the closing date. If the Company issues additional shares or warrants at a price or exercise price of less than \$20 per share then the Company will be required to issue additional shares and/or warrants at no additional consideration. The anti-dilutive provision results in the fixed for fixed criteria under IAS 32 – *Financial Instruments* not being met. Accordingly, this has been accounted for as a derivative liability. The fair value was calculated using a Monte Carlo simulation using the following key assumptions:

	April 1, 2019	December 31, 2019
Share price	\$ 20	\$ 20
Expected date of future financing	July 31, 2020	July 31, 2020
Expected years to future financing	1.33	0.58
Volatility	90%	90%
Risk free rate	2.38	1.60

The carrying amount of the derivative liability is as follows:

Balance, December 31, 2018	\$	-
Fair value on issuance of units		453,486
Fair value adjustment		(2,559)
Balance, December 31, 2019	\$	450,927

9. Share Capital

a) Common shares

Authorized: 1,000,000 common shares.

Issued:	Number of Shares	Amount
Shares issued for cash	925,000	\$ 1
Balance, December 31, 2018	925,000	\$ 1
Shares issued for cash	75,000	1,046,514
Balance, December 31, 2019	1,000,000	\$ 1,046,515

On April 4, 2019, the Company issued 75,000 units of the Company for aggregate proceeds of \$1,500,000. Each unit contains one common share of the Company and one warrant which grants the holder the option to acquire one common share at an exercise price of \$20 for a period of 5 years from the date of issuance.

b) Stock options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company, in its discretion, and in accordance with the Exchange requirements, may grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

9. Share Capital (continued)

b) Stock options (continued)

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price	Weighted average life
Granted	80,000	\$ 20	11.82
Balance, December 31, 2018	80,000	\$ 20	11.65
Granted	5,000	20	10.00
Balance, December 31, 2019	85,000	\$ 20	10.55

The following table summarizes information about stock options outstanding and exercisable at December 31, 2019:

Number of Shares	Exercise Price	Expiry date	Vested
85,000	\$ 20.00	October 30, 2028-2033	85,000

On November 16, 2018, the Company granted 80,000 stock options of the Company at an exercise price of \$20 per common share for a period of ten to fifteen years. The share-based compensation expense of \$72 was recognized, being the fair value determined using the Black-Scholes option pricing model with following assumptions: Risk free interest rate of 2.42%; Expected life of 10-15 years; Expected volatility of 179% and dividend yield of nil. The options vested immediately.

On March 31, 2019, the Company granted 5,000 stock options of the Company at an exercise price of \$20 per common share for a period of ten years. The share-based compensation expense of \$4 was recognized, being the fair value determined using the Black-Scholes option pricing model with following assumptions: Risk free interest rate of 1.92%; Expected life of 10 years; Expected volatility of 179% and dividend yield of nil. The options vest monthly over 3 years. Expected volatility was determined based on an average of volatilities of similar public traded entities in the Company's peer group.

- c) For the period ended December 31, 2019 and 2018, all warrants, stock options were excluded from the diluted per share calculations as their effect was anti-dilutive.

10. Taxes

The tax provision recorded in the financial statements differs from the amount computed by applying the combined Federal and state income tax statutory rates to loss before tax as follows:

	2019	2018
Loss before taxes	\$ (1,881,695)	\$ (347,439)
Statutory income tax rate (%)	27%	27%
Expected recovery at statutory rate	(508,058)	(93,809)
Increase (decrease) in taxes resulting from:		
Non-deductible items	173	246
Deferred tax benefits not recognized	507,885	93,563
Income tax provision	-	-

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

10. Taxes (continued)

The Company has not recognized a deferred tax asset in respect of the following deductible temporary differences:

	2019	2018
Net operating losses – United States	\$ 2,219,333	\$ 338,279

The Company has net operating losses of approximately USD \$2,219,000 (2018 – USD \$338,000) which are available to reduce future years' taxable income in the United States. Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be offset. Management estimates future income using forecasts based on the best available current information. Based on the current estimates, no deferred tax asset has been recorded.

11. Capital Management

The Company's capital consists of share capital. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at year end.

12. Financial Instruments and Risk Management

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's primary source of credit risk is its cash balance. The Company believes it has no significant credit risk associated with cash as it is held with a major United States financial institution.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash balance of \$53,975 (2018 - \$93,964) to settle liabilities of \$1,371,973 (2018 - \$1,006,712).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- i. Interest rate risk

The Company has cash balances and no interest-bearing debt.

- ii. Foreign currency risk

The Company does not have assets or liabilities in foreign currency.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

12. Financial Instruments and Risk Management *(continued)*

Market Risk *(continued)*

iii. Commodity risk

The Company is not exposed to commodity price risk.

The following table sets forth details of the payment profile of financial liabilities based on their undiscounted cash flows:

As at December 31, 2019	< 1 year	1 – 2 years	> 2 years	Total
Trade payables and accrued liabilities	\$ 763,596	-	-	\$ 763,596
Short-term debt	608,377	-	-	608,377
	\$ 1,371,973	-	-	\$ 1,371,973

As at December 31, 2018	< 1 year	1 – 2 years	> 2 years	Total
Trade payables and accrued liabilities	\$ 233,517	-	-	\$ 233,517
Short-term debt	773,195	-	-	773,195
	\$ 1,006,712	-	-	\$ 1,006,712

13. Related Party Transactions

a) Key management personnel compensation

The Company defines key management personnel as being the Chief Executive Officer, Chief Financial Officer, and Chief Growth Officer.

For the year ended December 31, 2019, key management personnel compensation included in salaries, wages and benefits on the statement of loss and comprehensive loss was \$318,620 (2018 – \$73,457)

b) Receivables

Receivables of \$4,542 at December 31, 2019 (2018 - \$4,542) represent amounts owing to related parties.

c) Short term debt

As at December 31, 2019 short term debt includes \$608,377 (2018 - \$273,195) owing to certain directors and officers of the Company.

d) Stock options

During the year ended December 31, 2019, the Company granted 5,000 (2018 – 80,000) stock options to directors and officers of the Company with a fair value of \$4 (2018 - \$72).

Transactions with related parties are in the normal course of operations and are recorded at fair value.

14. Subsequent Events

- a) Subsequent to December 31, 2019, the World Health Organization declared a pandemic related to the continuing worldwide spread of the Coronavirus (COVID-19). The confusion and uncertainty caused by this health threat is expected to seriously impact the economies of many of the world's countries, including the United States of America, and will certainly have a negative impact on businesses worldwide. The Company continues to address the critical needs of its processing customer base. Under current conditions, however, it is impossible to reliably estimate the impact of the pandemic on the Company's future financial results. The current challenging economic climate relating to the effect of COVID-19 may lead to challenges in managing cash flows and the ability to raise capital.

Flavocure Biotech Inc.

Notes to the Financial Statements

(Stated in United States dollars, unless otherwise noted)

For the year end December 31, 2019 and

for the period from October 4, 2018 (date of incorporation) to December 31, 2018

14. Subsequent Events *(continued)*

- b) On October 6, 2020 the Company entered into a Merger Agreement and Plan of Reorganization ("Merger Agreement") with Pinedale Energy Limited ("Pinedale") and a wholly owned subsidiary Pinedale Energy USA Inc. ("Subco"). Pursuant to the Merger Agreement, the Company, Subco and Pinedale intend to complete a reorganization (the "Merger") in which the Company will merge with Subco to form a surviving corporation ("Mergeco") which carries on under the existing legal entity of Subco.

Pursuant to the Merger Agreement, Pinedale and the Company entered into an interest free promissory note in the amount of \$75,000 dated September 18, 2020, with a repayment date of December 31, 2020. On December 31, 2020 the Company and Pinedale Energy Limited ("Pinedale") agree to extend the term of the promissory note from December 31, 2020 to April 30, 2021 or such date as may be mutually agreed between the parties.

It is anticipated that Pinedale will complete a brokered private placement of Subscription Receipts at a price of CAD\$0.40 per Subscription Receipt for up to gross proceeds of CAD\$3,000,000 based on 7,500,000 Subscription Receipts, subject to minimum gross proceeds of CAD\$1,500,000 based on 3,750,000 Subscription Receipts. The shareholders of the Company will receive 65 common shares of Pinedale for each share held of the Company which will result in a reverse takeover of Pinedale. Upon the completion of the Merger, each Subscription Receipt will automatically be converted into common shares of Mergeco

Upon completion of the Merger, Mergeco will carry on the business of the Company, and is expected to change its name to Flavocure Biotech Inc.

Pursuant to the Merger Agreement, Pinedale is required to implement a ten to one consolidation of its outstanding common shares. The Company's convertible notes will be automatically converted into common stock in connection with the Merger. Also, the shareholders of the Company will receive post-consolidation common shares of Mergeco based upon the exchange ratio, which is 65 post-consolidation common shares for each of the Company's common shares held. The shareholders of the Company will control 80.5% of the issued and outstanding shares of the Company. The Board of Directors and officers of Mergeco will be appointed by the Company.

- c) In the period between January 1, 2020 and February 11, 2021, the Company converted \$265,760 of short-term debt, including principal and accrued interest, into 12% convertible debentures and raised an additional \$2,890,000 through the issuance of 12% convertible debentures. Issuance costs totalled \$119,400. The convertible debentures secured against the Company's license agreement with Flavocure Biotech LLC dated March 27, 2019 and a subsequent assignment of Intellectual Property rights dated September 2019. The Debentures have a term of 1 year and are convertible into Units consisting of one share of the Company's stock and one warrant to purchase a share of the Company's stock each priced at \$25 per share. During this period, debentures of \$210,000 plus accrued interest were redeemed for cash.
- d) On March 4, 2021 the Company was granted a loan (the "Loan") from Bank of America, N.A (the "Lender"). in the aggregate amount of \$78,892, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated March 4, 2021 issued by the Lender, matures on May 4, 2026 and bears interest at a rate of 1.00% per annum, payable monthly commencing on the earlier of the date that is 10 months after the covered period ends 9as determined in accordance with Section1106 of the CARES act if forgiveness has not been applied for or on the date the SBA notifies that the Company that the loan has not been forgiven. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before August 19,2021. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

EXHIBIT “B”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FLAVOCURE FOR THE
YEARS ENDED DECEMBER 31, 2020

FLAVOCURE BIOTECH, INC.

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

1. MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis is management’s assessment of the results and financial condition of Flavocure Biotech, Inc. (collectively, “**Flavocure**” or “**we**” or “**Company**”).

The following information should be read in conjunction with Flavocure’s audited consolidated financial statements for the years ended December 31, 2020 and 2019.

The date of this management’s discussion and analysis (“**MD&A**”) is May 7, 2021. Flavocure’s comparative amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). All amounts are stated in United States Dollars (“**USD**”), which is Flavocure’s functional currency, unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities legislation (“**forward-looking information**”). Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Flavocure to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. In particular, this MD&A contains or implies forward-looking statements pertaining to: the Company’s future performance of its products, the future market demand for the Company’s products, industry trends, financial outlooks and completion of the Proposed Transaction (as defined herein).

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under “Risks and Uncertainties” in this MD&A.

Although Flavocure has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is given as of the date of this MD&A and Flavocure disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

2. DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

Flavocure is a private company incorporated on October 4, 2018 under the Delaware General Corporation Law in the state of Delaware and the address of Flavocure's registered office is 701 East Pratt Street, Baltimore, MD 21202. Flavocure has no material, wholly-owned subsidiaries.

General Description of the Business

Flavocure’s operations are based in Baltimore, Maryland. Flavocure aims to be a leader in the transformation of natural products into substances providing cures for certain cancers. Flavocure is primarily in the discovery, development and commercialization of novel therapeutics used in the treatment of cancer and the treatment of a number of cancer indications.

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

Principal Products

Flavocure has obtained a U.S. Food and Drug Administration (“FDA”) ‘Orphan Drug’ designation for the drugs Cresorol and Caflanone, which have been designated for the treatment of acute myeloid leukemia and pancreatic cancer, respectively. Flavocure was recently issued a United States patent for the treatment of pancreatic cancer with its lead drug, Caflanone (known as “FBL-03G”). Flavocure is also committed to developing these drugs for the indication of glioblastoma multiforme, an aggressive and deadly form of brain cancer. Caflanone has been derived from an endemic strain of cannabis sativa found in Jamaica. Professor Henry Lowe, Adjunct Professor, University of Maryland Medical School and University of the West Indies Medical School, discovered this rare form of flavonoid rich phytomedicinal material. The Flavocure research team developed a proprietary synthesis of the bioactive material, which is now available in commercial quantities for use in human clinical studies.

Market and Trends

There is a major demand for a new treatment for pancreatic cancer as there is currently no effective treatment for the over 60,000 patients that are diagnosed with pancreatic cancer in USA and Canada annually. The Global Pancreatic Cancer market accounted for \$1.9 billion in 2017 and is expected to reach \$4.7 billion by 2026 growing at a compound annual growth rate of 10.6%. More than 50% of the therapeutic market is in the USA. Pancreatic cancer is a highly lethal disease, for which mortality closely parallels incidence. In preclinical studies, the lead molecule of the company exhibited potent inhibitory activity against a difficult to treat mouse model of pancreatic cancer. While the molecule is yet to reach the commercialization phase, it is anticipated that clinical trial results will make the molecule one of the leading treatments for pancreatic cancer.

Discussion of Operations

Flavocure is developing a series of pharmaceutical active molecules for the treatment of selected cancers. Originally isolated from plants, Flavocure has developed a schema for the laboratory synthesis of these flavonoids. The synthesized molecule being developed for the treatment of pancreatic is further formulated in appropriate carriers and loaded into smart radiotherapy biomaterial for implantation into tumors. As Flavocure currently owns no manufacturing equipment, it has entered into a contract with a third party manufacturer which has the necessary Good Manufacturing Practice certification to be able manufacturer pharmaceutical products. Many other activities are outsourced and the company currently has no reason to maintain major laboratory of manufacturing equipment.

Significant developments during the period

Acquisition of assets

On October 17, 2018, Flavocure acquired a license from Flavocure Biotech LLC, (“FBL”) a Maryland Limited Liability Corporation under which FBL granted Flavocure exclusive rights to develop and commercialize technologies covered by certain patents owned by FBL for human medical and veterinary uses as a therapeutic and/or prophylactic treatment of acute myeloid leukemia, pancreatic cancer, and/or glioblastoma cancer. The term of the license concludes on a country-by-country basis on the expiry of the such patents in each country.

Material Financings

During third quarter of 2019 and through 2020, Flavocure issued convertible debentures (each a “Flavocure Debenture”) in the aggregate principal amount of \$2,640,000 and issued at a subscription price of \$1,000 per Flavocure Debenture. Each Flavocure Debenture bears a simple interest at a rate of 12% per annum and matures on the date that is one year from the date of issuance. The outstanding principal and accrued interest owing thereunder any such Flavocure Debenture will be automatically converted into units in the capital of the Flavocure at a liquidity event in accordance with the terms thereof with each such unit consisting of one common share in the capital of Flavocure (a “Common Share”) and one warrant which will be exercisable to acquire one Common Share at a price of \$25. During the period debentures of \$210,000 plus accrued interest were redeemed for cash.

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

- On May 4, 2020, the Company was granted a loan (the “**Loan**”) from Bank of America, N.A (the “**Lender**”) in the aggregate amount of \$88,820, pursuant to the Paycheck Protection Program (the “**PPP**”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, which was in the form of a note dated May 4, 2020, issued by the Lender, matures on May 4, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 4, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan was forgiven at December 17, 2020 and the forgiveness has been recorded as proceeds of forgiveness of PPP loans in the statements of loss and comprehensive loss.

3. SELECTED ANNUAL INFORMATION

The following financial data prepared in accordance with IFRS in USD is presented for the years ended December 31, 2020 and 2019 (on a consolidated basis).

	December 31, 2020 (\$)	December 31, 2019 (\$)
Total Revenue	Nil	Nil
Total Expenses	2,101,216	1,881,695
Net Loss	2,101,216	1,881,695
Net Loss per share, basic and diluted	2.10	1.92
Total Assets	1,011,384	640,357
Total non-current financial liabilities	Nil	Nil
Dividends per Common Share	Nil	Nil

Year ended December 31, 2020, compared to year ended December 31, 2019 (on a consolidated basis)

Revenues

For the years ended December 31, 2020 and 2019, Flavocure did not generate any revenue.

Expenses

For the year ended December 31, 2020, expenses amounted to \$2,101,216 as compared to \$1,881,695 for the year ended December 31, 2019. The increase in operating expense in each period is primarily related to:

- Research and development expenses increased from \$1,215,588 in 2019 to \$1,327,006 in 2020. The increase in 2020 reflected increased clinical research costs as we prepare to file our Investigational New Drug application.
- Salaries wages and benefits increased from \$450,724 in 2019 to \$578,294 in 2020. This increase was due to an increase in administrative staff in 2019.
- Professional fees increased from \$168,646 in 2019 to \$471,532 in 2020. The increase in 2020 reflected increased legal, accounting and auditing costs.

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

- Interest on short term debt increased from \$12,030 in 2019 to \$187,411 in 2020. The increase in 2020 reflected increased borrowing, including the Convertible Debentures and the Loan.

Net loss for the year

For the year ended December 31, 2020, the net loss amounted to \$2,101,216 as compared to a loss of \$1,881,695 for the year ended December 31, 2019.

Dividends and discontinued operations

For the year ended December 31, 2020 and 2019, the Company reported no discontinued operations and did not declare any cash dividends.

4. LIQUIDITY, CAPITAL RESOURCES AND TRENDS

Liquidity and Cash Requirements

The financial statements have been prepared on a going concern basis which assumes that Flavocure will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of Flavocure are dependent upon its ability to continue to raise adequate financing and to increase revenues until its operations are profitable.

During the period ended December 31, 2020, Flavocure's overall position of cash and cash equivalents increased by \$325,656. This increase in cash can be attributed to and broken down in the following manner:

- Cash flows used in operating activities during the period ended December 31, 2020 was \$(1,808,070) compared to \$(1,354,171) for the year ended December 31, 2019. The decrease in cash and cash equivalents was largely due Fair value adjustment of derivatives liability.
- Cash used in investing activities for the year ended December 31, 2020 was \$nil compared to \$21,000 for the year ended December 31, 2019. The reduction was due to completion of payments for the acquisition of the license technology from Flavocure Biotech, LLC.
- Cash generated by financing activities during the period ended December 31, 2020 was \$2,133,726 compared to \$1,335,182 for the year ended December 31, 2019. This increase can be attributed to the \$2,499,600 representing the net proceeds on issuance of the Flavocure Debentures.

Capital Resources

As at December 31, 2020, Flavocure has total assets of \$1,011,384 and working capital deficiency of \$3,817,112. The working capital deficiency is driven by accounts payable, accrued liabilities and short term debts. Additional equity or debt financing will be required to implement the Company's short to long term business plan. There can be no assurance that the Company will be able to secure additional financing in the future on terms that are acceptable to it or at all.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements. Capital resources are further summarized in Note 7 of the consolidated financial statements for the year ended December 31, 2020.

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

Financial Outlook and Trends

Flavocure will continuously re-examine its funding needs and the sources of available capital as the COVID-19 impact continues to evolve. Flavocure's structure allows it to remain flexible and change depending on circumstances. Although Flavocure remains confident it will continue to attract sufficient capital to meet all its objectives, there is a risk that it may not. The impact on operations if funds are not available will range from altering initiatives to delaying the timing of initiatives, or in extreme circumstances, cease certain functions until the situation improves.

All types of potential funding are being examined from private and public equity in addition to debt. The Company is paying very careful consideration to the economic impact of the COVID-19 pandemic subsequent to year end and prior to the date of this MD&A.

5. OFF BALANCE SHEET ARRANGEMENTS

Flavocure has not entered into any off-balance sheet arrangements.

6. TRANSACTIONS BETWEEN RELATED PARTIES

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Flavocure's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of Flavocure. Key management personnel include members of the board of directors, the Chief Executive Officer and the Chief Financial Officer. The related party transactions of the Company during the year ended December 31, 2020 are outlined below:

a) Key management personnel compensation

The Company defines key management personnel as being the Executive Chairman, Executive Vice Chairman, Chief Executive Officer and Chief Financial Officer.

For the year ended December 31, 2020, key management personnel compensation included in salaries, wages and benefits on the statement of loss and comprehensive loss of \$397,737 (2019 – \$345-714)

b) Receivables

During the year ended December 31, 2020, the Company acquired a 10% interest in Vilotos, Inc., a biotechnology business, developing antiviral products. The Company granted Vilotos certain rights related to its technology. The Company also agreed to provide Vilotos an interest free loan of up to \$100,000. As at December 31, 2020 Vilotos had drawn \$23,400.

As at December 31, 2019, receivables of \$4,541 represent amounts owing from related parties which are unsecured, bear no interest and repayable on demand.

c) Short term debt

As at December 31, 2020, short-term debt includes \$267,503 (2019 - \$608,377) owing to certain directors and officers of the Company. Short-term debt of \$75,114 owing to a related party was repaid.

d) Stock options

During the period ended December 31, 2020, the Company granted stock options having a fair value of \$nil (2019 – \$4) to directors and officers of the Company.

e) Convertible Debentures

During the year ended December 31, 2020, the Company converted a Directors holding of \$215,760 of 12% convertible notes into 12% convertible debentures and additionally another Director purchased \$50,000 of convertible debentures. In September 2020, the Company redeemed a director's holding of \$210,000 convertible debentures together with accumulated interest of \$23,661.

Transactions with related parties are in the normal course of operations and are initially recorded at fair value.

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

Transactions with related parties are in the normal course of operations and are initially recorded at fair value.

7. PROPOSED TRANSACTIONS

On March 4, 2021, the Company was granted a loan (the “**Loan**”) from Bank of America, N.A (the “**Lender**”). in the aggregate amount of \$78,892, pursuant to the Paycheck Protection Program (the “**PPP**”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated March 4, 2021 issued by the Lender, matures on May 4, 2026 and bears interest at a rate of 1.00% per annum, payable monthly commencing on the earlier of the date that is 10 months after the covered period ends as determined in accordance with Section 1106 of the CARES act if forgiveness has not been applied for or on the date the SBA notifies that the Company that the loan has not been forgiven. The Loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before August 19, 2021. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Subsequent to December 31, 2020, the Company raised an additional \$250,000 in 12% convertible debentures.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

The Company’s significant accounting policies are those that affect its financial statements and are summarized in Note 3 of the consolidated financial statements for the year ended December 31, 2020.

Flavocure’s financial instruments consist of cash and cash equivalents, short term deposits, accounts receivables, other receivables and inventory and trade payables and other accounts payable. Unless otherwise noted, it is management’s opinion that Flavocure is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Board of Directors approves and monitors the risk management process. The overall objectives of the Board of Directors are to set policies that seek to reduce risk as far as possible without unduly affecting Flavocure’s competitiveness and flexibility.

The type of risk exposure and the way in which such exposure is managed is as follows:

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company’s primary source of credit risk is its cash balance. The Company believes it has no significant credit risk associated with cash as it is held with a major Canadian financial institution and its receivables and promissory notes are with holders of known credit worthiness.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of \$379,631 (December 31, 2019 - \$53,973) to settle liabilities of \$4,295,143 (December 31, 2019 - \$1,822,900).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- i. Interest rate risk

The Company does not have significant interest rate risk as it only has cash balances and interest-bearing debt at fixed rates.

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

ii. Foreign currency risk

The Company does not have assets or liabilities in foreign currency.

iii. Commodity risk

The Company is not exposed to commodity price risk.

The following table sets forth details of the payment profile of financial liabilities based on their undiscounted cash flows:

As at December 31, 2020		< 1 year	1 – 2 years	> 2 years	Total
Trade payables and accrued liabilities	\$	1,308,501	-	-	\$ 1,308,501
Short-term debt		267,503	-	-	267,503
Convertible debentures		2,719,139	-	-	2,719,139
	\$	4,295,143	-	-	\$ 4,295,143

As at December 31, 2019		< 1 year	1 – 2 years	> 2 years	Total
Trade payables and accrued liabilities	\$	763,596	-	-	\$ 763,596
Short-term debt		608,377	-	-	608,377
	\$	1,371,973	-	-	\$ 1,371,973

9. CRITICAL ESTIMATES AND JUDGMENTS

The preparation of the audited annual consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are 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 the revision affects both current and future periods.

The Company's significant judgments and estimates are disclosed in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2020.

10. DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Common Shares of which 1,000,000 Common Shares are issued and outstanding as at the date of this MD&A (and 1,000,000 as at December 31, 2020).

11. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At this time, Flavocure does not expect future accounting changes to impact significant accounting policies.

12. RISKS AND UNCERTAINTIES

Flavocure has a Limited Operating History

Flavocure began carrying on business in its current capacity on October 5, 2018 and has not yet generated material income. Flavocure is, therefore, subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Flavocure will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations. Flavocure's lack of operating history

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Management Discussion and Analysis

For the year ended December 31, 2020

may also make it difficult for investors to evaluate Flavocure's prospects for success and there is no guarantee that Flavocure's business model will continue to achieve its strategic objectives.

Negative Cash Flow from Operations

During the fiscal year ended December 31, 2020, Flavocure had negative cash flows from operating activities. Although Flavocure anticipates it will have positive cash flows from operating activities in future periods, to the extent that Flavocure has negative cash flows in any future period, certain of the net proceeds from the financing may be used to fund such negative cash flows from operating activities, if any.

Uncertainty of Flavocure's Future Revenues

Although management is optimistic about Flavocure's prospects, there is no guarantee that expected outcomes and sustainable revenue streams will be achieved. Flavocure faces risks frequently encountered by early-stage companies. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams, whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on Flavocure's business, financial condition and results.

Global Economic Risk

The ongoing economic slowdown and downturn of global capital markets (in particular as a result of the current outbreak of COVID-19 and the global COVID-19 pandemic) has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, Flavocure is subject to liquidity risks in meeting development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact Flavocure's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to Flavocure. If uncertain market conditions persist, Flavocure's ability to raise capital could be jeopardized, which could have an adverse impact on Flavocure's business and operations.

COVID-19 Risk

Flavocure's business could be significantly and adversely affected by the effects of any widespread global outbreak of contagious disease. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn and cancellation of esports events that could affect demand for Flavocure's services and likely impact operating results. In particular, the recent outbreak of COVID-19 has had a negative impact on global financial conditions. Flavocure cannot accurately predict the impact COVID-19 will have on Flavocure's ability to remain open for business in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their obligations with Flavocure, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries, and future demand of Flavocure's products and services. In particular, should any employees or consultants of Flavocure become infected with COVID-19 or similar pathogens, it could have a material negative impact on Flavocure's operations and prospects.

Research and Development Risk

A principal component of Flavocure's business strategy is to expand its product offering to fully exploit the core technologies. As such, Flavocure's organic growth and long-term success is primarily dependent on its ability to successfully develop new and current products and it will likely incur significant research and development expenditures. Flavocure cannot be certain that any investment in research and development will yield technically feasible or commercially viable products. Furthermore, its ability to discover and develop products will depend on its ability to:

- retain key scientists as employees or partners;

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

- identify high quality therapeutic targets;
- identify potential drug candidates;
- develop products internally;
- successfully complete laboratory testing and clinical trials on humans;
- obtain and maintain necessary intellectual property rights to Flavocure's products;
- obtain and maintain necessary U.S. and other regulatory approvals for its products;
- collaborate with third parties to assist in the development of its products; and
- enter into arrangements with third parties to co-develop, license, and commercialize its products.

Operational Risks

Flavocure will be affected by a number of operational risks and Flavocure may not be adequately insured for certain risks, including labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, and difficulty obtaining banking. There is no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on Flavocure's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on Flavocure's future cash flows, earnings and financial condition. Also, Flavocure may be subject to or affected by liability or sustain loss for certain risks and hazards against which Flavocure cannot insure or which Flavocure may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on Flavocure's future cash flows, earnings, results of operations and financial condition.

Cybersecurity Risks

Although Flavocure has security systems in place and what it deems sufficient security around its system to prevent unauthorized access, it must ensure that it continually enhances security and fraud protection within its platform, and if Flavocure is unable to do so it may become subject to liability for privacy breaches or consequences that result from any unanticipated incident.

Financial Projections May Prove Materially Inaccurate or Incorrect

Flavocure's financial estimates, projections and other forward-looking information accompanying this MD&A were prepared by Flavocure without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of Flavocure and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results Flavocure and its subsidiaries might achieve.

Difficulty to Forecast

Flavocure must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage. A failure in the demand for its services to materialize as a result of

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of Flavocure.

Industry Competition Generally

There is potential that Flavocure will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than Flavocure. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of Flavocure. To remain competitive, Flavocure will require a continued high level of investment in marketing, sales and customer relationship management and support.

Reliance on Third Parties

Flavocure is reliant to an extent on third parties. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships or failure to engage third party service providers could be detrimental to the future business, operating results and/or profitability of Flavocure. Moreover, Flavocure's financial performance will be significantly determined by its success in adding, retaining and engaging information technology service providers, which could adversely affect the business of Flavocure.

Regulatory Risk

Flavocure requires approval from the FDA for conducting human clinical studies and will require approval from the FDA and equivalent organizations in other countries before any drugs can be marketed. There is no assurance that such approvals will be forthcoming. Furthermore, the exact nature of the studies these regulatory agencies will require is not known and can be changed at any time by the regulatory agencies, increasing the financing risk and potentially increasing the time to market Flavocure faces, which could adversely affect Flavocure's business, financial condition or results of operations.

Lack of Diversity

Larger companies have the ability to manage their risk through diversification. However, Flavocure currently lacks diversification, in terms of the nature of its business. As a result, Flavocure could potentially be more impacted by factors affecting the pharmaceutical development industry in general and Flavocure in particular than would be the case if the business was more diversified.

Competitive Market for Flavocure's Products

The pharmaceutical and biotechnology industries are highly competitive. Overall, most of Flavocure's competitors in the pharmaceutical and biotechnology industries are larger and have greater financial and other resources, which enables them to invest significant amounts of capital and other resources in their businesses, including expenditures for research and development. If one of Flavocure's current or future competitors develops innovative proprietary products, some or all of Flavocure's products could be rendered obsolete.

Protection of Intellectual Property

Flavocure's success depends in part on its ability to maintain or obtain and enforce patent and other intellectual property protections for its processes and technologies and to operate without infringing upon the proprietary rights of third parties or having third parties circumvent the rights that Flavocure owns or licenses. Flavocure has filed applications in the United States and other jurisdictions, has received some patents and expects others, and may, in the future, seek additional patents or file patent applications.

Reliance on Management

Flavocure Biotech, Inc.

Management Discussion and Analysis

For the year ended December 31, 2020

The success of Flavocure will be dependent upon the ability, expertise, judgment, discretion and good faith of its key executives, including the directors and officers of Flavocure and a small number of highly skilled and experienced executives and personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Flavocure's business, operating results, or financial condition. The competition for highly skilled technical, management and other employees in Flavocure's industry is high and there can be no assurance that Flavocure will be able to engage or retain the services of such qualified personnel in the future.

Litigation

Flavocure may be subject to litigation claims through the ordinary course of its business operations or otherwise, regarding, among other things, employment matters, tax matters, security of customer and employee personal information, third-party contracts, marketing, intellectual property right infringement, its current and former operations and the operations of businesses it may acquire in the future prior to their respective acquisitions. Litigation to defend Flavocure against claims by third parties, or to enforce any rights that it may have against third parties, may be necessary, which could result in substantial costs and diversion of its resources, causing a material adverse effect on its business, financial condition and results of operations. Because the outcome of such legal matters is inherently uncertain, if one or more of such legal matters were to be resolved against Flavocure for amounts in excess of management's expectations or any applicable insurance coverage or indemnification right. Any litigation to which Flavocure may be a party may result in an onerous or unfavourable judgment that may not be reversed upon appeal, or in payments of substantial monetary damages or fines, the posting of bonds requiring significant collateral, letters of credit or similar instruments.

13. MD&A PREPARATION

This MD&A should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2020 and 2019. This MD&A is intended to assist the reader's understanding of Flavocure's operations, business, strategies, performance and future outlook from the perspective of management.

Managements Responsibility for Financial Statements

The information provided in this report, is the responsibility of management. During the preparation of financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that Flavocure's assets are safeguarded and to facilitate the preparation of relevant and timely information.

EXHIBIT "C"
AUDITED FINANCIAL STATEMENTS OF PINEDALE FOR THE YEARS ENDED
DECEMBER 31, 2020, 2019 AND 2018

Consolidated Financial Statements

Pinedale Energy Limited

December 31, 2020 and 2019
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Pinedale Energy Limited:

Opinion

We have audited the consolidated financial statements of Pinedale Energy Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020 and, as at that date, had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ronald D. Miller.

Vancouver, British Columbia

April 30, 2021

MNP LLP
Chartered Professional Accountants

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in Canadian dollars]

As at

	December 31, 2020 \$	December 31, 2019 \$
ASSETS		
Current		
Cash and bank balances	29,661	747,438
Receivables and prepaids <i>[note 4]</i>	62,396	666,338
Total current assets	92,057	1,413,776
Oil and gas properties <i>[note 6]</i>	-	10,755,878
Total assets	92,057	12,169,654
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[note 5]</i>	114,739	1,151,654
Current portion of promissory note <i>[notes 8 and 11]</i>	95,490	-
Total current liabilities	210,229	1,151,654
Decommissioning liability <i>[note 7]</i>	-	912,655
Promissory note <i>[notes 8 and 11]</i>	-	3,234,038
Long-term debt <i>[note 9]</i>	-	6,039,420
Total liabilities	210,229	11,337,767
Shareholders' equity (deficit)		
Share capital <i>[note 10]</i>	5,319,746	5,319,746
Contributed surplus	711,932	688,841
Accumulated other comprehensive income	-	732,774
Deficit	(6,149,850)	(5,909,474)
Total shareholders' (deficit) equity	(118,172)	831,887
Total liabilities and shareholders' equity	92,057	12,169,654

Nature of operations and going concern (Note 1)

Subsequent events (Note 17)

On behalf of the Board:

"Scott Young"

Director

"Claus Andrup"

Director

PINEDALE ENERGY LIMITED**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

[Expressed in Canadian dollars]

	Year ended December 31, 2020 \$	Year ended December 31, 2019 \$
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration services	125,317	107,045
Consulting fees <i>[note 11]</i>	3,000	-
Directors' fees <i>[note 11]</i>	23,484	-
Interest <i>[note 8, 9 and 11]</i>	160,414	584,834
Net gain on disposal of subsidiary <i>[note 16]</i>	(242,211)	-
Share based compensation <i>[note 10 and 11]</i>	23,091	39,826
	93,095	731,705
NET LOSS FROM CONTINUING OPERATIONS	(93,095)	(731,705)
Loss (gain) from discontinued operations <i>[note 16]</i>	(147,281)	1,764,806
NET (LOSS) INCOME FOR YEAR	(240,376)	1,033,101
Other comprehensive income (loss)		
Exchange differences from translation of foreign operations	(732,774)	(192,104)
COMPREHENSIVE (LOSS) INCOME FOR YEAR	(973,150)	840,997
Basic and diluted earnings per share		
Continuing operations	0.00	(0.01)
Discontinued operations	0.00	0.02
Weighted average number of common shares	112,472,114	112,472,114

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

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

[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	-	-	23,091	-	-	23,091
Other comprehensive loss for the year	-	-	-	-	(732,774)	(732,774)
Net loss for the year	-	-	-	(240,376)	-	(240,376)
Balance, December 31, 2020	112,472,114	5,319,746	711,932	(6,149,850)	-	(118,172)

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

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

	Year ended December 31, 2020 \$	Year ended December 31, 2019 \$
OPERATING ACTIVITIES		
Net (loss) income from continuing operations	(93,095)	1,033,101
Net (loss) income from discontinued operations	(147,281)	-
Net (loss) income for year	(240,376)	1,033,101
Add item not affecting cash		
Impairment on oil and gas properties [note 6]	-	-
Depletion [note 6]	661,099	599,799
Unrealized gain on derivative financial instruments	-	(17,606)
Share based compensation [note 10 and 11]	23,091	39,826
Non-cash portion of interest expense	85,482	209,461
Net liabilities on disposal of subsidiary	(480,411)	-
Deferred tax expense (recovery) [note 12]	-	(114,547)
	(48,885)	1,750,034
Changes in non-cash working capital items		
Other receivables and prepaids	(50,887)	727,306
Accounts payable and accrued liabilities	62,583	(446,777)
Cash provided by operating activities	60,581	2,030,563
INVESTING ACTIVITIES		
Investment in oil and gas properties [note 6]	(26,428)	(31,815)
Cash used in investing activities	(26,428)	(31,815)
FINANCING ACTIVITIES		
Funds paid on promissory note [note 8]	(547,509)	(500,000)
Repayment on long-term debt [note 9]	(204,420)	(986,550)
Cash (used in) provided by financing activities	(751,929)	(1,486,550)
Increase (decrease) in cash during the year	(717,777)	512,198
Effects of exchange rate changes on cash	-	(17,049)
Cash, beginning of year	747,438	252,289
Cash, end of year	29,661	747,438
Supplemental cash flow information:		
Oil and gas additions in accounts payable and accrued liabilities	-	4,699
Cash interest paid	237,754	735,768

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

1. NATURE OF OPERATIONS AND GOING CONCERN

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 31, 2020 the Company sold its interest in its wholly owned subsidiary companies, 0970831 B.C. Ltd and Pinedale Energy Inc., 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.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At December 31, 2020, the Company had cash of \$29,661 (2019 - \$747,348) and working capital deficiency of \$118,172 (2019 – working capital of \$262,122). The Company currently has no active business and is not generating any revenues. It has frequently incurred losses and negative cash flows from operations since inception and had an accumulated deficit of \$6,149,850 as at December 31, 2020 (2019 – \$5,909,474). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

The Company’s ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. These consolidated financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

On March 11, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact of the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. While the extent of the impact is unknown, we anticipate this outbreak may cause staff shortages and increased government regulations, all of which may negatively impact the Company’s business and financial condition.

2. BASIS OF PREPARATION

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”) in effect on January 1, 2020.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

2. BASIS OF PREPARATION (continued)

These consolidated financial statements were approved for issuance by the Board of Directors on April 28, 2021.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for financial assets classified as amortized cost and fair value through profit or loss (“FVTPL”) which are measured at fair value. These consolidated financial statements 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. up until their disposal on July 31, 2020. 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 year. Exchange gains and losses on translation are included as a separate component of accumulated other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Pinedale principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from Pinedale to its customers. Sales to customers are made pursuant to contracts based on prevailing commodity pricing at or near the time of delivery and volumes of product delivered. Revenues are typically collected in the month following delivery. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- Pinedale has transferred title and physical possession of the commodity to the buyer;
- Pinedale has transferred the significant risks and rewards of ownership of the commodity to the buyer; and,
- Pinedale has the present right to payment.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company's revenue transactions do not contain significant financing components.

Pinedale does not have any long-term contracts with unfulfilled performance obligations and does not disclose information about remaining performance obligations with an original expected duration of 12 months or less.

Joint interests

A portion of the Company's exploration, development and production activities are conducted jointly with others through unincorporated joint ventures. These consolidated 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. The Company places its cash 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.

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

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Development and production costs

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

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

Development and production assets are grouped into cash generating units (“CGU”) for impairment testing and depletion calculations. CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, the existence of active markets, shared infrastructures, and the way in which management monitors the Company’s operations.

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 consolidated statement of income (loss) and comprehensive income (loss).

Subsequent costs

Costs incurred subsequent to commercial production including the costs of replacement are recognized in the consolidated statement of income (loss) and comprehensive income (loss) 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 probable reserves as determined on an annual basis in compliance with NI 51-101 – *Standards of Disclosure of Oil and Gas Activities*, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Proved and probable 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 probable 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 facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development and production assets are grouped into a 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. Impairment losses are recognized in the consolidated statement of income (loss) and comprehensive income (loss).

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.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments. Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and,
- Level 3 inputs are unobservable inputs for the asset or liability.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and measurement of financial assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- **Amortized Cost:** Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. Financial instruments under this classification include cash, accounts receivable, accounts payable and accrued liabilities, promissory notes and long-term debt;
- **Fair Value through Other Comprehensive Income ("FVOCI"):** Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or,
- **Fair Value Through Profit or Loss ("FVTPL"):** Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in the consolidated statement of income (loss) and comprehensive income (loss).

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in the consolidated statement of income (loss) and comprehensive income (loss). Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of income (loss) and comprehensive income (loss). Any gain or loss on derecognition is also recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Derivative Financial Instruments

Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Where specific financial instruments are executed, the Company assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

Risk management assets and liabilities are derivative financial instruments classified as measured at FVTPL unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are recorded using mark-to-market accounting whereby instruments are recorded in the consolidated statement of financial position as either an asset or liability with changes in fair value recognized in the consolidated statement of income (loss) and comprehensive income (loss) as a gain or loss on risk management. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts.

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.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 in the consolidated statement of 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 consolidated statement of income (loss) and comprehensive income (loss). 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 the consolidated statement of income (loss) and comprehensive income (loss) when reclamation of the area is completed.

average market price of the shares for the year. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per share

Earnings (loss) per share is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year. The calculation of diluted earnings per share assumes any outstanding options and warrants are exercised and class B common shares are converted into class A common shares and proceeds are used to repurchase common shares at the

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of income (loss) and comprehensive income (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.

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, judgments and assumptions

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

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (loss) and comprehensive income (loss) 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.

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.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

Compensation costs accrued for under the Company's Stock Option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Pinedale's shares.

Adoption of new and revised standards

The following standards, amendments and interpretations have been issued but are not yet effective:

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from mineral properties, plant and equipment amounts received from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendment will require sales proceeds and related costs to be recognized in the statement of earnings (loss). The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. This amendment is not expected to have a material impact on the Company.

The IASB issued "Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)" with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual reporting periods beginning on or after January 1, 2021. This amendment is not expected to have a material impact on the Company.

There are no other IFRS standards or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have any impact on the Company.

4. RECEIVABLES AND PREPAIDS

The receivables and prepaids balance consists of the following:

	December 31, 2020	December 31, 2019
Trade Receivables	\$ -	\$ 633,471
Prepaid expenses	61,250	29,063
Income taxes receivable	1,146	3,804
	\$ 62,396	\$ 666,338

As at December 31, 2020, all of the Company's receivables were outstanding for less than 90 days.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2020	December 31, 2019
Accounts payable	\$ 71,446	\$1,008,816
Accrued liabilities	43,293	142,838
	\$114,739	\$1,151,654

6. 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. (*Notes 16*)

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	26,428
Depletion	(661,099)
Reporting currency translation adjustment	354,939
Balance, July 31, 2020	\$10,476,146
Disposition [<i>Note 16</i>]	(10,476,146)
Balance December 31, 2020	\$ -

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

7. 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*). All decommissioning liabilities were eliminated upon sale of the Company's subsidiaries on July 31, 2020 (*Note 16*).

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	1,316
Reporting currency translation adjustment	29,432
Balance, July 31, 2020	\$943,403
Disposition	(943,403)
Balance, December 31, 2020	\$ -

8. 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 year ended December 31, 2020, the Company made principal repayments of \$643,000 (2019 - \$500,000). In addition, the Company recognized \$72,639 and \$85,482 of interest expense and accretion, respectively. As at July 31, 2020, the Company had \$2,676,520 outstanding on the note. The note was assumed by the purchasers of the Company's subsidiaries at the time of disposition. (*Note 16*)
- 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 June 30, 2021.

9. 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 July 31, 2020 the Collateral Borrowing Base was US\$6.0 million.

At July 31, 2020, the Company had a balance due of \$6,031,800 (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. resulting in a balance owing of \$nil at December 31, 2020 (*Note 16*).

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

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

As at December 31, 2020, 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.

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 2020, 2019 or 2018.

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 \$23,091 during the period ended December 31, 2020 (December 31, 2019 – \$39,826).

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life
Balance at December 31, 2018	1,314,064	\$ 0.26	3.49
Granted	-	-	-
Balance at December 31, 2019	1,314,064	\$ 0.26	2.49
Granted	-	-	-
Cancelled	(1,314,064)	-	-
Balance at December 31, 2020	-	-	-

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.

On July 3, 2018, 1,000,000 warrants expired.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

10. SHARE CAPITAL (continued)

As at December 31, 2020, 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 1.53 years, respectively (December 31, 2019 - \$0.30 and 2.53 years, respectively).

11. RELATED PARTY TRANSACTIONS

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

	December 31, 2020	December 31, 2019
Interest on promissory notes	\$72,639	\$365,616
Remuneration of key management personnel⁽¹⁾		
Consulting fees	\$84,000	\$144,000
Management fees	-	-
Directors fees	\$27,484	\$12,000
Share based compensation	\$15,394	\$26,550

⁽¹⁾ *Key management personnel identified above are consistent with the disclosure on Named Executive Officers provided in the Company's Information Circular to shareholders for the respective years.*

The promissory note described in Note 8 was payable to two Directors of the Company. The promissory note payable is at agreed upon terms. During the year ended December 31, 2020, the Company paid \$72,639 (2019 – \$365,616) in interest on the promissory note.

As at December 31, 2020, accounts payable and accrued liabilities included \$24,658 (2019 - \$12,000) payable to these related parties.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

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 (loss) and comprehensive income (loss) for the year ended December 31, 2020 and 2019.

	2020	2019
	\$	\$
Net income (loss) before taxes	(240,376)	867,728
Current statutory income tax rate	27%	27%
Expected income tax expense (recovery)	(64,902)	234,287
Non-deductible items	17,365	31,330
Change in estimates	(365)	(163,221)
Foreign exchange and other	9,991	(44,944)
Settlement of intercompany balances	(402,141)	-
Foreign tax rate difference	10,081	(64,393)
Change in deferred tax asset not recognized	429,971	(158,432)
Income tax expense (recovery)	-	(165,373)
Current tax expense (recovery)	-	(50,826)
Deferred tax expense (recovery)	-	(114,547)
	-	(165,373)

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 assets (liabilities) are as follows:

	2020	2019
	\$	\$
USA		
Net operating losses	-	106,831
Oil and gas properties	-	(106,831)
Net deferred tax asset (liability)	-	-
Canada		
Non-capital losses	48,729	95,900
Capital losses	47,795	-
Intercompany balances	(47,795)	(24,090)
Promissory note	(48,729)	(71,810)
Net deferred tax asset (liability)	-	-

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

12. INCOME TAX (continued)

The unrecognized deductible temporary differences are as follows:

	2020	2019
	\$	\$
USA		
Net operating losses	-	2,819,198
Other receivables	-	-
Decommissioning liability	-	702,691
Oil and gas properties	-	-
Unrecognized deductible temporary differences	-	3,521,889
Canada		
Non capital losses	108,120	55,174
Financing costs	2,626	5,253
Capital losses	2,624,786	19,944
Unrecognized deductible temporary differences	2,735,531	80,370

As at December 31, 2020, the Company has not recognized a deferred tax asset in respect of capital loss carryforwards of approximately \$2,978,820 (2019: \$19,944) 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 Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$108,120 (2019: \$55,174) which expire from 2037 to 2039 for Canadian income tax purposes, subject to final determination by taxation authority.

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 have been no changes to the Company capital management process in the past year.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

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 and receivables. 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.

The maximum credit risk exposure associated with cash and receivables is the total carrying value.

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's exposure to foreign exchange risk since the disposition of its investments in its subsidiaries is minimal.

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 equity 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

The Company has no exposure to interest rate risk since disposing of its subsidiaries. All interest bearing debt was assumed by the subsidiaries.

Fair value

The carrying value of the Company's cash, receivables, accounts payable and accrued liabilities, and debt approximate fair value due to their immediate and short-term nature. The Company classifies its fair value measurements with the following fair value hierarchy:

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

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

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

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.

There has been no change between levels during the year. The Company's risk management contracts are classified as Level 2.

The fair values of the Company's financial instruments are outlined below:

2020					
	FVTPL	Amortized Cost	Fair value		
Asset (liability)			Level 1	Level 2	Level 3
Cash	\$29,661	-	\$29,661	-	-
Receivables and prepaids	-	62,396	-	62,396	-
Accounts payable and accrued liabilities	-	(114,739)	-	(114,739)	-
Promissory note	-	(95,490)	-	(95,490)	-

2019					
	FVTPL	Amortized Cost	Fair value		
Asset (liability)			Level 1	Level 2	Level 3
Cash	\$747,438	-	\$747,438	-	-
Receivables and prepaids	-	666,338	-	666,338	-
Accounts payable and accrued liabilities	-	(1,151,654)	-	(1,151,654)	-
Promissory note	-	(3,234,038)	-	(3,234,038)	-
Long-term debt	-	(6,039,420)	-	(6,039,420)	-

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

15. SEGMENT INFORMATION

The Company has no operating activities and as at December 31, 2020, the Company did not have any reportable operating segments as a result of the sale of its Subsidiaries.

The breakdown by geographic area as at December 31, 2019 is as follows:

	Canada	United States	Total
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	\$ -	\$5,116,046	\$5,116,046
Operating expenses	-	2,815,023	2,815,023
	-	2,301,023	2,301,023
General and administrative expenses	(860,368)	(572,927)	(1,433,295)
Net income before taxes	(860,368)	1,728,096	867,728
Income tax expense	-	(92,074)	(92,074)
Income tax recovery	257,447	-	257,447
Net income	\$(602,921)	\$1,636,022	\$1,033,101

16. DISPOSITION OF WHOLLY OWNED ENTITIES

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 Company reported a net gain on disposal of its subsidiaries of \$242,211 comprised of the following:

	\$
Net assets disposed of	(9,409,512)
Promissory note payable assumed by purchaser	2,676,520
Loan liability assumed by purchaser	6,031,800
Decommissioning liability assumed by purchaser	943,403
Net gain on disposal	242,211

The Company has presented the disposal of the shares of the Subsidiaries as discontinued operations, and accordingly, has reclassified the results of operations of the discontinued operations during the year ended December 31, 2019.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

16. DISPOSITION OF WHOLLY OWNED ENTITIES (continued)

Below summarizes the results of discontinued operations of the Company's interest in its Oil and Gas subsidiaries for the years ended December 31, 2020 and 2019.

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
REVENUE		
Natural gas sales	1,973,557	6,534,532
Royalties	(632,037)	(1,418,486)
Net oil and gas revenue	1,341,520	5,116,046
OPERATING EXPENSE		
Consulting fees	8,422	17,741
Depletion	661,099	599,799
Production tax	(327,936)	617,693
Gathering	299,440	711,621
Lease operating	356,540	837,536
Transportation	15,772	30,633
	1,013,337	2,815,023
	328,183	2,301,023
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration services	204,203	157,503
Consulting fees	104,439	164,998
Director's fees	4,000	-
Interest	162,822	379,089
	475,464	701,590
NET (LOSS) INCOME BEFORE TAXES	(147,281)	1,599,433
Income tax recovery	-	(50,826)
Deferred tax recovery	-	(114,547)
NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS	(147,281)	1,764,806

The net cash flows used in discontinued operations during the years ended December 31, 2020 and 2019 were (\$429,225) and \$556,687 respectively.

PINEDALE ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

[Expressed in Canadian dollars]

16. DISPOSITION OF WHOLLY OWNED ENTITIES (continued)

The breakdown of the net cash flows used in discontinued operations for the years ended December 31 2020, and 2019 is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Operating activities	(7,705)	2,061,224
Investing activities	(338,529)	486,844
Financing activities	(82,991)	(1,991,381)
Net cash flows used in discontinued operations	(429,225)	556,687

17. SUBSEQUENT EVENTS

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 Company 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 Proposed Transaction has not yet completed and 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.

Consolidated Financial Statements

Pinedale Energy Limited

December 31, 2019 and 2018
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Pinedale Energy Limited:

Opinion

We have audited the consolidated financial statements of Pinedale Energy Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ronald D. Miller.

Vancouver, British Columbia

April 17, 2020

MNP LLP

Chartered Professional Accountants

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in Canadian dollars]

As at

	December 31, 2019	December 31, 2018
	\$	\$
ASSETS		
Current		
Cash	747,438	252,289
Receivables and prepaids [note 4]	666,338	1,380,081
Total current assets	1,413,776	1,632,370
Oil and gas properties [note 6]	10,755,878	11,693,786
Total assets	12,169,654	13,326,156
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities [note 5]	1,151,654	1,552,992
Income tax payable	-	45,439
Current portion of promissory note [notes 8 and 11]	-	3,833,837
Current portion of long-term debt [note 9]	-	7,366,680
Total current liabilities	1,151,654	12,798,948
Decommissioning liability [note 7]	912,655	751,831
Promissory note [notes 8 and 11]	3,234,038	-
Long-term debt [note 9]	6,039,420	-
Deferred tax liability [note 12]	-	42,737
Total liabilities	11,337,767	13,593,516
Shareholders' equity (deficit)		
Share capital [note 10]	5,319,746	5,319,746
Contributed surplus	688,841	430,591
Accumulated other comprehensive income	732,774	924,878
Deficit	(5,909,474)	(6,942,575)
Total shareholders' equity (deficit)	831,887	(267,360)
Total liabilities and shareholders' equity	12,169,654	13,326,156

Nature of operations (Note 1)

Subsequent event (Note 16)

On behalf of the Board:

“Gordon Nielsen”

Director

“Brad Windt”

Director

PINEDALE ENERGY LIMITED**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

[Expressed in Canadian dollars]

	Year ended December 31, 2019	Year ended December 31, 2018
	\$	\$
REVENUE		
Natural gas sales	5,528,543	7,837,303
Oil and natural gas liquids	1,005,989	1,756,543
Royalties	(1,418,486)	(2,063,077)
Net oil and gas revenue	5,116,046	7,530,769
OPERATING EXPENSE		
Consulting fees	17,741	80,325
Depletion [note 6]	599,799	1,763,451
Production tax	617,693	946,979
Gathering	711,621	962,970
Lease operating	837,536	869,400
Transportation	30,633	77,420
	2,815,023	4,700,545
	2,301,023	2,830,224
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration services	264,548	304,995
Consulting fees [note 11]	164,998	186,621
Share based compensation [note 10 and 11]	39,826	91,120
Interest [note 8, 9 and 11]	963,923	872,928
Foreign exchange (gain) loss	-	(12,249)
	1,433,295	1,443,415
OTHER ITEMS		
Impairment on oil and gas properties [note 6]	-	14,785,130
	-	14,785,130
NET INCOME (LOSS) BEFORE TAXES		
	867,728	(13,398,321)
Income tax expense (recovery)	(50,826)	40,547
Deferred tax expense (recovery)	(114,547)	(1,697,200)
NET INCOME (LOSS)	1,033,101	(11,741,668)
Other comprehensive income (loss)		
Exchange differences from translation of foreign operations	(192,104)	666,551
COMPREHENSIVE INCOME (LOSS)	840,997	(11,075,117)
Basic earnings per share	0.01	(0.55)
Diluted earnings per share	0.01	(0.55)
Basic weighted average number of common shares	112,472,114	21,500,398
Diluted weighted average number of common shares	112,472,114	21,500,398

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

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

[Expressed in Canadian dollars]

	Number of issued and outstanding shares		Share capital \$	Contributed surplus \$	Retained earnings (deficit) \$	Accumulated other comprehensive income (loss) \$	Total equity (deficit) \$
	Class A Common Shares #	Class B Common Shares #					
Balance, January 1, 2018	18,140,647	94,331,467	5,319,746	339,471	4,799,093	258,327	10,716,637
Shares issued from conversion <i>[note 10]</i>	94,331,467	(94,331,467)	—	—	—	—	—
Share based compensation <i>[note 10]</i>	—	—	—	91,120	—	—	91,120
Other comprehensive income for the year	—	—	—	—	—	666,551	666,551
Net 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 <i>[note 10]</i>	—	—	—	39,826	—	—	39,826
Discount on related party loan <i>[notes 8 and 11]</i>	—	—	—	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)	737,720	831,887

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

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

	Year ended December 31, 2019 \$	Year ended December 31, 2018 \$
OPERATING ACTIVITIES		
Net income (loss) for the year	1,033,101	(11,741,668)
Add item not affecting cash		
Impairment on oil and gas properties [note 6]	-	14,785,130
Depletion [note 6]	599,799	1,763,451
Unrealized gain on derivative financial instruments	(17,606)	(4,043)
Share based compensation [note 10 and 11]	39,826	91,120
Non-cash portion of interest expense	209,461	110,900
Deferred tax expense (recovery) [note 12]	(114,547)	(1,697,200)
	<u>1,750,034</u>	<u>3,307,690</u>
Changes in non-cash working capital items		
Other receivables and prepaids	727,306	(174,904)
Accounts payable and accrued liabilities	(446,777)	(1,045,230)
Cash provided by operating activities	<u>2,030,563</u>	<u>2,087,556</u>
INVESTING ACTIVITIES		
Investment in oil and gas properties [note 6]	(31,815)	(8,570,649)
Cash used in investing activities	<u>(31,815)</u>	<u>(8,570,649)</u>
FINANCING ACTIVITIES		
Funds received (paid) on promissory note [note 8]	(500,000)	-
Borrowings (repayment) on long-term debt [note 9]	(986,550)	3,211,503
Cash (used in) provided by financing activities	<u>(1,486,550)</u>	<u>3,211,503</u>
Increase (decrease) in cash during the year	512,198	(3,271,590)
Effects of exchange rate changes on cash	(17,049)	566,790
Cash, beginning of year	252,289	2,957,089
Cash, end of year	<u>747,438</u>	<u>252,289</u>
Supplemental cash flow information:		
Oil and gas additions in accounts payable and accrued liabilities	4,699	307,073
Decommissioning liability recognized	-	170,697
Cash interest paid	735,768	682,284

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[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 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. BASIS OF PREPARATION

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”) in effect on January 1, 2019.

These consolidated financial statements were approved for issuance by the Board of Directors on April 17, 2020.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for financial assets classified as amortized cost and fair value through profit and loss (“FVTPL”) which are measured at fair value. These consolidated 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 year. Exchange gains and losses on translation are included as a separate component of accumulated other comprehensive income.

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Pinedale principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from Pinedale to its customers. Sales to customers are made pursuant to contracts based on prevailing commodity pricing at or near the time of delivery and volumes of product delivered. Revenues are typically collected in the month following delivery. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- Pinedale has transferred title and physical possession of the commodity to the buyer;
- Pinedale has transferred the significant risks and rewards of ownership of the commodity to the buyer; and,
- Pinedale has the present right to payment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company's revenue transactions do not contain significant financing components.

Pinedale does not have any long-term contracts with unfulfilled performance obligations and does not disclose information about remaining performance obligations with an original expected duration of 12 months or less.

Joint interests

A portion of the Company's exploration, development and production activities are conducted jointly with others through unincorporated joint ventures. These consolidated 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. The Company places its cash 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.

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, the existence of active markets, shared infrastructures, and the way in which management monitors the Company's operations.

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 (loss) and comprehensive income (loss).

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent costs

Costs incurred subsequent to commercial production including the costs of replacement are recognized in the consolidated statement of income (loss) and comprehensive income (loss) 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 probable reserves as determined on an annual basis in compliance with NI 51-101 – *Standards of Disclosure of Oil and Gas Activities*, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

Proved and probable 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 probable 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 facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development and production assets are grouped into a 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. Impairment losses are recognized in the consolidated statement of income (loss) and comprehensive income (loss).

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.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments. Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and,
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and measurement of financial assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- **Amortized Cost:** Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. Financial instruments under this classification include cash, accounts receivable, accounts payable and accrued liabilities, promissory notes and long-term debt;
- **Fair Value through Other Comprehensive Income ("FVOCI"):** Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or,
- **Fair Value Through Profit or Loss ("FVTPL"):** Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in the consolidated statement of income (loss) and comprehensive income (loss).

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in the consolidated statement of income (loss) and comprehensive income (loss). Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of income (loss) and comprehensive income (loss). Any gain or loss on derecognition is also recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Derivative Financial Instruments

Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Where specific financial instruments are executed, the Company assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

Risk management assets and liabilities are derivative financial instruments classified as measured at FVTPL unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are recorded using mark-to-market accounting whereby instruments are recorded in the consolidated statement of financial position as either an asset or liability with changes in fair value recognized in the consolidated statement of income (loss) and comprehensive income (loss) as a gain or loss on risk management. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts.

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. 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 in the consolidated statement of 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 consolidated statement of income (loss) and comprehensive income (loss). 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 the consolidated statement of income (loss) and comprehensive income (loss) when reclamation of the area is completed.

Earnings (loss) per share

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

Income taxes

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

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

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

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

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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

Significant accounting estimates, judgments and assumptions

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 (loss) and comprehensive income (loss) 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.

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates, judgments and assumptions (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.

Share-based compensation

Compensation costs accrued for under the Company's Stock Option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Pinedale's shares.

Going Concern

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. 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, 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 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 (loss) and comprehensive income (loss), and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards

IFRS 16 “Leases”

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. IFRS 16 was effective for annual periods beginning on or after January 1, 2019. The Company did not have leases that were required to be recognized on its consolidated statement of financial position at January 1, 2019.

IFRIC 23 “Uncertainty over Income Tax Treatments”

In June 2017, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Interpretation Committee (IFRIC) interpretation to specify how to reflect the effects of uncertainty in accounting for income taxes. IAS 12 Income Taxes provides requirements on the recognition and measurement of current or deferred income tax liabilities and assets. However, it does not provide a specific requirement for the accounting for income tax when the application of tax law to a particular transaction or circumstance is uncertain. As a result, the interpretation aims to reduce the diversity in how entities recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The new interpretation is effective for annual periods beginning on or after January 1, 2019. Management has concluded that there is no impact on the adoption of this guidance because there is no significant uncertainty in accounting for income taxes of the Company.

4. RECEIVABLES AND PREPAIDS

The receivables and prepaids balance consists of the following:

	December 31, 2019	December 31, 2018
Receivables	\$633,471	\$1,345,472
Prepaid expenses	29,063	34,609
Income taxes receivable	3,804	-
	\$666,338	\$1,380,081

As at December 31, 2019, all of the Company's receivables were outstanding for less than 90 days. There was no significant expected credit losses on the Company's trade accounts receivable at December 31, 2019.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2019	December 31, 2018
Accounts payable	\$1,008,816	\$1,402,824
Accrued liabilities	142,838	150,168
	\$1,151,654	\$1,552,992

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

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:

Cost

Balance, December 31, 2017	\$19,470,269
Additions	8,570,649
Change in decommissioning liability <i>[note 7]</i>	170,697
Reporting currency translation adjustment	1,709,907
<hr/>	
Balance, December 31, 2018	\$29,921,522
Additions	31,815
Change in decommissioning liability <i>[note 7]</i>	177,977
Reporting currency translation adjustment	(1,434,444)
<hr/>	
Balance, December 31, 2019	\$28,696,870

Accumulated depletion and impairment

Balance, December 31, 2017	\$740,138
Depletion	1,763,451
Impairment	14,785,130
Reporting currency translation adjustment	939,017
<hr/>	
Balance, December 31, 2018	\$18,227,736
Depletion	599,799
Reporting currency translation adjustment	(886,543)
<hr/>	
Balance, December 31, 2019	\$17,940,992

Carrying amount

<hr/>	
Balance, December 31, 2018	\$11,693,786
<hr/>	
Balance, December 31, 2019	\$10,755,878

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

6. OIL AND GAS PROPERTIES (continued)

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.

At December 31, 2019 an assessment was performed on the recoverable amount of the Company's assets to determine whether any indicators of impairment were present. The assessment was conducted using the Company's forecasted reserves volumes and values in the 2019 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%.

The following table outlines the forecast benchmark commodity prices before adjustments, along with escalation parameters used in the impairment calculation of the oil and gas properties as at December 31, 2019:

December 31	2020	2021	2022	2023	2024	2025 ⁽¹⁾
NGL/COND US\$/bbl	61.00	63.24	65.55	67.39	68.73	70.11
NAT GAS US\$/Mcf	2.65	2.86	3.02	3.18	3.25	3.31

⁽¹⁾ Then escalated 2 percent on January 1 of each year through December 31, 2031, and held constant thereafter

At December 31, 2019, the recoverable amount of the Company's assets was estimated to be \$11,412,426 and no indication of impairment was present.

7. DECOMMISSIONING LIABILITY

The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligation is approximately \$986,146 (2018 - \$1,035,802). The payments to settle this obligation are expected to occur from 2025 to 2066. An inflation factor of 2.10% (2018 – 2.00%) has been applied to the estimated decommissioning liability as at December 31, 2019. The Company's risk-free rate used to calculate the fair value of the decommissioning liability is 2.39% (2018 – 2.95%) at December 31, 2019.

Balance, December 31, 2017	\$545,874
Obligations acquired due to development activity	170,697
Accretion	20,357
Change in estimate	(32,233)
Reporting currency translation adjustment	47,136
Balance, December 31, 2018	\$751,831
Accretion	19,037
Change in estimate	177,977
Reporting currency translation adjustment	(36,190)
Balance, December 31, 2019	\$912,655

PINEDALE ENERGY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

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% 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 a discount rate of 15%. As such, a discount of \$370,510, net of deferred tax of \$96,333, was allocated to contributed surplus. In December 2019 the loan was extended at the same terms with a new maturity date of September 1, 2021. At the time of renewal the Company had \$3,500,000 outstanding on the note. The renewed loan was adjusted to a fair market value of \$3,209,776 using a discount rate of 15%. A discount of \$290,224, net of deferred tax of \$71,800, was allocated to contributed surplus.

During the year ended December 31, 2019, the Company made principal repayments of \$500,000. In addition, the Company recognized \$365,616 and \$190,425 of interest expense and accretion, respectively. As at December 31, 2019, the Company had \$3,500,000 outstanding on the note.

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 facility is secured by a fixed and floating charges on the assets of the Company. The amount available under this facility (“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. During the year, the current Collateral Borrowing Base was increased to US\$6.0 million. These advances bear interest at Wall Street Journal Base Rate plus fifty basis points (0.50%).

At December 31, 2019, the Company had a balance due of \$6,039,420 (US\$4,650,000) under its existing credit facility (2018 - \$7,366,680). During the year ended December 31, 2019, the Company incurred interest on long-term debt of \$372,095 (2018 - \$318,646). Pursuant to the terms of the facility agreement, the Company is required to maintain a ratio of funded debt to EBITDAX less than 4:1 at the end of each fiscal quarter calculated on a rolling twelve-month basis. The Company is also required to maintain a current ratio of not less than 1:1 at the end of each fiscal quarter. As at December 31, 2019 and 2018 the Company was in compliance with these covenants.

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, on a pro rata basis, can 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”).

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

10. SHARE CAPITAL (continued)

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 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, 2018, 94,331,467 Class B shares were converted into class A common shares. As at December 31, 2019, there were 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.

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. No stock options were granted in 2019 or 2018.

In connection with this grant the Company recorded a share-based compensation expense of \$39,826 during the year ended December 31, 2019 (2018 – \$91,120).

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	-

The following tables summarize information about changes in stock options outstanding at December 31, 2019:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life
Balance at December 31, 2017	1,314,064	\$ 0.26	4.49
Granted	-	-	-
Balance at December 31, 2018	1,314,064	\$ 0.26	3.49
Granted	-	-	-
Balance at December 31, 2019	1,314,064	\$ 0.26	2.49

All of the outstanding stock options are exercisable as at December 31, 2019 and 2018.

No stock options were exercised during the year ended December 31, 2019.

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

10. SHARE CAPITAL (continued)

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.

On July 3, 2018, 1,000,000 warrants expired.

As at December 31, 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 2.53 years, respectively.

11. RELATED PARTY TRANSACTIONS

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

	December 31, 2019	December 31, 2018
Interest on promissory notes	\$365,616	\$400,000
Remuneration of key management personnel⁽¹⁾		
Consulting fees	\$144,000	\$139,000
Management fees	-	\$28,000
Directors fees	\$12,000	\$4,000
Share based compensation	\$26,550	\$60,139

⁽¹⁾ Key management personnel identified above are consistent with the disclosure on Named Executive Officers provided in the Company's Information Circular to shareholders for the respective years.

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, 2019, the Company paid \$365,616 (2018 – \$400,000) in interest on the promissory note.

During the year ended December 31, 2019, the Company paid consulting fees of \$72,000 (2018 – \$72,000) to an Executive officer/Director of the Company. During the same period, the Company paid \$72,000 in consulting fees to another Executive officer of the Company (2018 – \$67,000).

During the year ended December 31, 2019, the Company paid \$nil (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.

As at December 31, 2019, accounts payable and accrued liabilities included \$12,000 (2018 - \$47,693) payable to these related parties.

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

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 (loss) and comprehensive income (loss) for the year ended December 31, 2019 and 2018.

	2019	2018
	\$	\$
Net income (loss) before taxes	867,728	(13,398,321)
Current statutory income tax rate	27%	27%
Expected income tax expense (recovery)	234,287	(3,617,547)
Non-deductible items	31,330	124,052
Change in estimates	(163,221)	(18,326)
Foreign exchange and other	(44,944)	-
Foreign tax rate difference	(64,393)	786,836
Change in deferred tax asset not recognized	(158,432)	1,068,332
Income tax expense (recovery)	(165,373)	(1,656,653)
Current tax expense (recovery)	(50,826)	40,547
Deferred tax expense (recovery)	(114,547)	(1,697,200)
	(165,373)	(1,656,653)

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 assets (liabilities) are as follows:

	2019	2018
	\$	\$
USA		
Net operating losses	106,831	-
Oil and gas properties	(106,831)	-
Net deferred tax asset (liability)	-	-
Canada		
Non-capital losses	95,900	-
Intercompany balances	(24,090)	-
Promissory note	(71,810)	(44,864)
Other	-	2,127
Net deferred tax asset (liability)	-	(42,737)

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

12. INCOME TAX (continued)

The unrecognized deductible temporary differences are as follows:

	2019	2018
	\$	\$
USA		
Net operating losses	2,819,198	1,327,949
Other receivables	-	81,688
Decommissioning liability	702,691	551,115
Oil and gas properties	-	2,145,864
Unrecognized deductible temporary differences	3,521,889	4,106,616

US net operating losses totaling \$2,819,198 expire from 2036 to 2039.

Canada

Non capital losses	55,174	-
Financing costs	5,253	-
Capital losses	19,944	19,944
Unrecognized deductible temporary differences	80,370	19,944

As at December 31, 2019, the Company has not recognized a deferred tax asset in respect of capital loss carryforwards of approximately \$19,944 (2018: \$19,944) 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 Company has not recognized a deferred tax asset in respect of non-capital loss carryforward of approximately \$55,174 (2018: nil) which expire from 2037 to 2039 for Canadian income tax purposes, subject to the final determination by taxation authorities.

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 have been no changes to the Company capital management process in the past year.

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

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 and receivables. 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.

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 receivables are subject to the standard risk inherent in the industry in which those companies operate and are all current at year end.

The maximum credit risk exposure associated with cash and receivables is the total carrying value.

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 \$7,400 for the year ended December 31, 2019 (2018 – \$23,000).

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 equity 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.

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

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) after tax comprehensive net income (loss) by approximately \$138,800 for the year ended December 31, 2019 (2018 - \$165,000).

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, 2019, the unrealized gain on outstanding financial contracts was \$17,606 (December 31, 2018 - \$4,043). The realized gain (loss) on settlement of financial contracts during the year was \$6,852 loss (December 31, 2018 - \$180,300 loss). The unrealized and realized gain (loss) are recorded with the Natural gas sales on the statements of income (loss) and comprehensive income (loss).

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

Period Hedged	Commodity Hedged	Derivative Product Type	Quantity		Price	
February 1, 2020 to December 31, 2020	Natural Gas	Put Option ⁽¹⁾	413,000	MMBtu	1.75	USD/MMBtu
January 1, 2021 to March 31, 2021	Natural Gas	Put Option ⁽¹⁾	99,000	MMBtu	1.75	USD/MMBtu
January 1, 2020 to December 31, 2020	Crude Oil	Put Option ⁽²⁾	4,450	bbl	45.00	USD/bbl
January 1, 2021 to March 31, 2021	Crude Oil	Put Option ⁽²⁾	945	bbl	40.20	USD/bbl

(1) NYMEX Henry Hub last day reference price

(2) WTI Financial calendar month average

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, 2019, if interest rates had been 25 basis points (0.25%) higher with all other variables held constant, after tax comprehensive net income (loss) for the year would have been impacted by \$12,586 (2018 – \$8,857) lower.

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

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

Fair value

The carrying value of the Company's cash, receivables, accounts payable and accrued liabilities, and debt approximate fair value due to their immediate and short-term nature. The Company classifies its fair value measurements with the following fair value hierarchy:

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.

There has been no change between levels during the year. The Company's risk management contracts are classified as Level 2.

The fair values of the Company's financial instruments are outlined below:

2019					
	FVTPL	Amortized Cost	Fair value		
Asset (liability)			Level 1	Level 2	Level 3
Cash	\$747,438	-	\$747,438	-	-
Receivables and prepaids	-	666,338	-	666,338	-
Accounts payable and accrued liabilities	-	(1,151,654)	-	(1,151,654)	-
Promissory note	-	(3,234,038)	-	(3,234,038)	-
Long-term debt	-	(6,039,420)	-	(6,039,420)	-
2018					
	FVTPL	Amortized Cost	Fair value		
Asset (liability)			Level 1	Level 2	Level 3
Cash	\$252,289	-	\$252,289	-	-
Receivables and prepaids	-	1,380,081	-	1,380,081	-
Accounts payable and accrued liabilities	-	(1,552,992)	-	(1,552,992)	-
Promissory note	-	(3,833,837)	-	(3,833,837)	-
Long-term debt	-	(7,366,680)	-	(7,366,680)	-

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

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, 2019 is as follows:

	Canada	United States	Total
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	\$ -	\$5,116,046	\$5,116,046
Operating expenses	-	2,815,023	2,815,023
	-	2,301,023	2,301,023
General and administrative expenses	(860,368)	(572,927)	(1,433,295)
Net income before taxes	(860,368)	1,728,096	867,728
Income tax expense	-	(92,074)	(92,074)
Income tax recovery	257,447	-	257,447
Net income	\$(602,921)	\$1,636,022	\$1,033,101

The breakdown by geographic area as at December 31, 2018 is as follows:

	Canada	United States	Total
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	\$4,019,261	\$9,574,255	\$13,593,513
Revenues	\$ -	\$7,530,769	\$7,530,769
Operating expenses	-	4,700,545	4,700,545
	-	2,830,224	2,830,224
General and administrative expenses	(943,722)	(499,693)	(1,443,415)
Other items	-	(14,785,130)	(14,785,130)
Net loss before taxes		(943,722)	(12,454,599)
Income tax expense	(40,547)	-	(40,547)
Income tax recovery	(38,488)	1,735,688	1,697,200
Net loss	\$(1,022,757)	\$(10,718,911)	\$(11,741,668)

PINEDALE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

15. SEGMENT INFORMATION (continued)

The Company has two (2018 – two) customers making up more than 10% of total sales with each making up 83.1%, and 15.2% (2018 – 83.7%, and 12.7%) of total sales.

16. SUBSEQUENT EVENTS

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by both Canadian and U.S. federal, provincial, state and local governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on Pinedale Energy Limited as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S. and other countries to fight the virus.

EXHIBIT “D”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF PINEDALE FOR THE YEARS
ENDED DECEMBER 31, 2020

Pinedale Energy Limited.

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Introduction

Pinedale Energy Limited. (the "Company") was incorporated under the British Columbia Business Corporations Act on December 17, 2007. Pinedale was previously engaged in the identification, and the exploration and development of oil and gas properties via drilling and/or acquisition. The Company disposed of its subsidiary companies which own working interests in certain producing and undeveloped oil and gas leases, in July 2020. The address of the Company's registered office is Suite 1500 - 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6.

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 year ended December 31, 2020 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020 as well as the audited financial statements and the notes thereto for the year ended December 31, 2019.

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 December 31, 2020 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").

The effective date of this MD&A is April 27, 2021 and it was approved by the Company's Board of Directors on April 28, 2021.

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 exhaustive listing and there could be other factors that could impact the actual results.

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.

COVID-19 and Its Effect on the Global Economy

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material

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disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the Company and its operations in future periods.

Overview and Outlook

Pinedale Energy Limited is a Canadian company previously focused on the development of its oil and gas properties situated in the Pinedale field area of southwest Wyoming, U.S.A. (the "Pinedale Properties"). The Company did not operate the Pinedale Properties and the Pinedale Properties are operated by designated Operators that are also joint interest owners in the leases. During the year ended December 31, 2020 the Company did not participate in the development of any new wells.

On July 31, 2020 the Company completed the sale of its wholly-owned subsidiary, 0970831 B.C. Ltd., and its indirect wholly-owned subsidiary, Pinedale Energy Inc. (the "Disposed Subsidiaries"), which held the oil and gas assets of the group, pursuant to a Share Transfer and Assignment agreement dated May 20, 2020 as announced in its news release of May 25, 2020 (the "Disposition"). 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.. At closing, the purchasers released the Company from any and all obligations related to any indebtedness owed to them by the Company and the Company has ceased all oil and gas exploration activities.

Full details of the Disposition are contained in the Company's news releases dated May 25, 2020 and July 29, 2020 which can be viewed on SEDAR at www.sedar.com.

On October 6, 2020 the Company announced that further to its news releases dated May 25, 2020, June 26, 2020 and July 29, 2020 the Company has executed a definitive merger agreement (the "Merger Agreement") with Flavocure Biotech, Inc. ("Flavocure"), and entered into an engagement letter with Leede Jones Gable Inc. in respect of a proposed offering by Pinedale of subscription receipts (each, a "Subscription Receipt") pursuant to which Pinedale will raise gross proceeds of up to \$3,000,000 (the "Offering"), subject to a minimum Offering of \$1,500,000.

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 USA Inc. ("Pinedale Sub") a wholly-owned subsidiary of the Company, (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." (which has already been approved by the shareholders of Pinedale), and is expected to remain listed on the TSX Venture Exchange (the "Exchange"). 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. 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 Exchange. The approval by the shareholders of Pinedale is not required under Exchange policies.

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In connection with the Offering, each Subscription Receipt will be priced at a \$0.40 per Subscription Receipt and will entitle the holder thereof to receive one post-consolidation Common Share of the Resulting Issuer upon the completion of the Proposed Transaction. The net proceeds of the Offering are expected to be held in escrow and, upon the satisfaction or waiver of certain conditions (the “Escrow Release Conditions”), including all conditions to the closing of the Proposed Transaction, the net proceeds will be released to the Resulting Issuer.

If the Escrow Release Conditions are not satisfied by a stipulated deadline (currently anticipated to be February 28, 2021), then the escrowed funds will be returned to subscribers of Subscription Receipts, and Pinedale shall be required to contribute such amounts as are necessary to refund the aggregate Offering proceeds to such subscribers.

Flavocure is a private Delaware corporation with its head office in Baltimore, Maryland. Flavocure is pioneering drug research and development from botanical products aimed at providing cures for certain cancers. Flavocure has focused on the identification of flavonoid phytochemical properties that have demonstrated activity against cancer. In collaboration with some of the world’s highest regarded research institutions, Flavocure has made scientific breakthroughs in developing “small molecules” that demonstrate activity against therapeutically validated kinase mutation targets (i.e. cancer causing cellular mutations). This led to Flavocure’s success in obtaining United States Food and Drug Administration Orphan Drug designation for the drug Cresorol, which has been designated for the treatment of acute myeloid leukemia, also known as AML. Flavocure was recently issued a United States Patent for the treatment of cancers and Flavocure has also targeted pancreatic cancer and glioblastoma multiforme with its lead drug, Caflanone (known as FBL-03G).

Full details of the Proposed Transaction and Offering as well as details of the proposed directors and officers and of Flavocure are contained in the Company’s news releases dated June 26, 2020 and October 6, 2020 which can be viewed on SEDAR at www.sedar.com.

Financial Snapshot

The following table summarizes selected financial information reported by the Company for the periods ended December 31, 2020, 2019.

	December 31, 2020	December 31, 2019
Total revenue (before royalties)	1,973,557	6,534,532
Net income (Loss)	(240,376)	1,033,101
Basic earnings per share	0.00	0.01
Diluted earnings per share	0.00	0.01
Total assets	92,057	12,169,654
Total current and long-term debt	95,490	9,273,458

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Quarterly Financial Information

(\$000 except per share amounts)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue (before royalties)	220	-	663	1,091	1,412	1,141	1,298	2,683
Net income	(41)	26	(170)	(55)	783	(184)	(124)	558
Per share - basic	-	-	-	-	0.01	-	-	-
Per share - diluted	-	-	-	-	0.01	-	-	-
Total assets	92	98	11,426	12,396	12,170	11,675	11,602	12,778
Total current and long-term debt	95	100	8,796	9,224	9,273	9,658	9,508	10,092

Results of Operations

General and Administrative Expenses

(\$000)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
General and administrative expenses	13	336	569	1,433
Select items:				
Consulting fees	13	36	107	165
Interest	36	229	323	964
Professional fees	8	28	149	94

The significant differences between the three and twelve month comparative periods is as a result of the disposition of the Company's Disposed Subsidiaries as discussed above. The results of the Disposed Subsidiaries are included only up to the date of disposition. The majority of the general and administrative expenses prior to the disposition were incurred in relation to the oil and gas activities which were recorded in the financial statements of the subsidiaries.

Liquidity and Capital Resources

The Company currently has no operations that generate cash flows. For the foreseeable future the Company will continue to rely upon its ability to raise financing through the sale of equity. This will be dependent on the Company identifying suitable projects that will attract investors. This will also require a general positive investor sentiment, which in turn will be influenced by a positive climate for precious metal exploration generally, the Company's track record and the experience and calibre of the Company's management, as well as global economic outlook.

There is no assurance that the Company will be able to access equity funding at the times and in the amounts required to meet the Company's obligations and fund activities.

In September 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 June 30, 2021.

At December 31, 2020, the Company had negative working capital of \$118,172.

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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 December 31, 2020, there were no Class B shares outstanding.

Stock Options Outstanding

During the quarter the Company cancelled 1,314,064 stock options. As at the date of this MD&A there are no stock options outstanding.

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 December 31, 2020 the Company has a total of 10,999,999 warrants outstanding for which the weighted average exercise price and the weighted average remaining life was \$0.30 and 1.53 years, respectively.

Related Party Transactions

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

	December 31, 2020	December 31, 2019
Interest on promissory notes	\$72,639	\$365,616
Remuneration of key management personnel ⁽¹⁾		
Consulting fees	\$84,000	\$144,000
Management fees	-	-
Directors fees	\$27,484	\$12,000
Share based compensation	\$15,394	\$26,550

⁽¹⁾ Key management personnel identified above are consistent with the disclosure on Named Executive Officers provided in the Company's Information Circular to shareholders for the respective years.

The promissory note described in Note 8 was payable to two Directors of the Company. The promissory note payable is at agreed upon terms. During the year ended December 31, 2020, the Company paid \$72,639 (2019 – \$365,616) in interest on the promissory note.

As at December 31, 2020, accounts payable and accrued liabilities included \$24,658 (2019 - \$12,000) payable to these related parties.

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Off-Balance Sheet Arrangements

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

Financial Instruments and Risk Management

Financial instruments

The Company classifies and measures its financial instruments at fair value through profit or loss with changes in fair value recognized in profit or loss as they arise ("FVTPL"), unless restrictive criteria regarding the objective and contractual cash flows of the instrument are met for classifying and measuring at either amortized cost or fair value through other comprehensive income. 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.

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.

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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.

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 a promissory note of US\$75,000, does not have any financial instruments or debts denominated in currencies other than the Canadian Dollar.

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.

Risks and Uncertainties

The Company is subject to various risks and uncertainties, including, but not limited to, those listed below.

Continuance of operations - The Company's consolidated financial statements have been prepared on the assumption that the Company will continue as 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 incurred a net loss of \$240,376 for the year ended December 31, 2020, and as of that date, the Company had a deficit of \$6,149,850 and negative working capital of \$118,172. The Company has no source of revenue and does not have sufficient cash to meet its debts and administrative overhead. The continuity of the Company's operations is dependent on the ability to raise equity capital or borrowings sufficient to meet current and future obligations.

Financing Ability – The Company's ability to continue development and acquisition efforts will require investments from equity investors. The Company may incur operating losses as it pursues new business opportunities. There is no guarantee that the Company will be successful in completing an economically viable transaction which would attract further funding.

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

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

Proposed Transaction and proposed Financing – The Company can make no assurance that the closing of the Proposed Transaction and/or the Proposed Financing (as more fully detailed in the Company's news releases of May 25, 2020, June 26, 2020 and October 6, 2020) will occur by certain specified dates or at all and the final terms of such actions or events could differ materially as a result of known or unknown risk factors or uncertainties affecting the Company and its counterparties.

EXHIBIT “E”
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE
RESULTING ISSUER

Pinedale Energy Limited
Unaudited Pro Forma
Consolidated Financial Statements
(Prepared by management)
(stated in Canadian Dollars, unless otherwise noted)
As at December 31, 2020

Pinedale Energy Limited
 Unaudited Pro Forma Consolidated Statement of Financial Position
 (stated in Canadian Dollars)
 As at December 31, 2020

	Pinedale Energy Limited	Flavocure Biotech, Inc.	Proforma Adjustments		Pro forma Consolidated
			Transactions	Note	
Assets					
Current Assets					
Cash	29,661	483,347	3,484,000 333,475	3(b) 3(d)	4,330,483
Receivables and prepaids	62,396	29,793	-		92,189
Promissory note receivable	-	95,490	(95,490)	3(c)	-
Total Current Assets	92,057	608,630	3,721,985		4,422,672
Long-Term Assets					
Intangible assets	-	679,066	-		679,066
Total Assets	92,057	1,287,696	3,721,985		5,101,738
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable	114,739	1,665,984	-		1,780,723
Promissory note payable	95,490	-	(95,490)	3(c)	-
Short-term debt	-	340,585	-		340,585
Convertible debentures	-	3,462,008	(3,462,008)	3(d)	-
Total Current Liabilities	210,229	5,468,577	(3,557,498)		2,121,308
Non-Current Liabilities					
Long-term debt	-	-	-		-
Total Liabilities	210,229	5,468,577	(3,557,498)		2,121,308
Shareholders' Equity (Deficiency)					
Share capital	5,319,746	1,350,004	(5,319,746) 115,205 3,474,288 3,795,483	3(a) 3(a) 3(b) 3(d)	8,734,947
Contributed surplus	711,932	98	(711,932) 9,745	3(a) 3(b)	9,843
Deficit	(6,149,850)	(5,788,288)	6,149,850 (233,377)	3(a) 3(a)	(6,021,665)
Accumulated other comprehensive loss	-	257,305	-		257,305
Shareholders' equity (deficiency)	(118,172)	(4,180,881)	7,279,483		2,980,430
Total Liabilities and Shareholders' equity	92,057	1,287,696	3,721,985		5,101,738

Pinedale Energy Limited
 Unaudited Pro Forma Consolidated Statement of Operations
 (stated in Canadian Dollars)
 For the year ended December 31, 2020

	Pinedale Energy Limited	Flavocure Biotech, Inc.	Adjustments		Pro forma Consolidated
			Transactions	Note	
Revenue	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross margin	-	-	-	-	-
Expenses					
Salaries, wages and benefits	-	779,675	-	-	779,675
Sales, travel and business development	-	30	-	-	30
Research and development	-	1,776,285	-	-	1,776,285
Directors' fees	23,484	-	-	-	23,484
General and administrative	125,317	37,805	-	-	163,122
Consulting fees	3,000	-	-	-	3,000
Professional fees	-	632,560	-	-	632,560
Stock based compensation	23,091	-	-	-	23,091
Interest	160,414	251,452	-	-	411,866
Listing expense	-	-	233,377	(3a)	233,377
Change in fair value of derivative liability	-	(604,919)	-	-	(604,919)
Net gain on disposal of subsidiary	(94,930)	-	-	-	(94,930)
Total expenses	240,376	2,872,888	233,377		3,346,641
Net income (loss)	(240,376)	(2,872,888)	(233,377)		(3,346,641)
Exchange differences from translation of foreign operation	(732,774)	-	-	-	(732,774)
Comprehensive income (loss)	(973,150)	(2,872,888)	(233,377)		(4,079,415)
Number of shares					94,129,087
Basic and diluted loss per share (\$)					(0.04)

1. Proposed Transaction

On October 6, 2020, Pinedale Energy Limited ("Pinedale") and a wholly owned subsidiary, Pinedale Energy USA Inc. ("Subco") entered into a Merger Agreement and Plan of Reorganization ("Merger Agreement") with Flavocure Biotech, Inc. ("Flavocure") in which Pinedale will acquire all the outstanding shares of Flavocure (the "Transaction"). Flavocure is a United States private corporation and its principal business is discovery, development and commercialization of novel therapeutics used in the treatment of cancer and the treatment of a number of cancer indications. Pursuant to the Merger Agreement, Pinedale, Subco and Flavocure intend to complete a reorganization (the "Merger") in which Flavocure will merge with Subco to form a surviving corporation ("Mergeco") which carries on under the existing legal entity of Subco. On completion of the Transaction, Pinedale will issue 73,381,876 common shares to the shareholders of Flavocure. From an accounting perspective, the substance of the Pinedale common share issuance and the proposed reorganization is a transaction which results in Pinedale becoming a wholly owned subsidiary of Flavocure. The Transaction is deemed to be a reverse take-over ("RTO"), whereby Flavocure is deemed to be the accounting acquirer and Pinedale is the accounting acquiree. Following the closing of the Merger Agreement and prior to closing the Transaction, the current shareholders of Flavocure will hold approximately 79.7% of Subco, and the current shareholders of Pinedale will hold approximately 20.3% of the Subco. The resulting issuer created upon completion of the foregoing RTO will continue under the name "Flavocure Biotech, Inc."

2. Basis of Presentation

The unaudited pro forma consolidated statement of financial position of the Company gives effect to the RTO as described above. These unaudited pro forma consolidated financial statements (the "Pro Forma Financial Statements") are prepared to illustrate the impact of the acquisition of Pinedale by Flavocure. The Pro Forma Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies used in the preparation of the Pro Forma Financial Statements are those set out in Flavocure's annual audited consolidated financial statements for the period ended December 31, 2020 as well as the annual audited consolidated financial statements of Pinedale for the year ended December 31, 2020 and as such should be read in conjunction with such annual audited consolidated financial statements.

The unaudited pro forma consolidated statement of financial position as at December 31, 2020 have been prepared from information derived from the following:

- Pinedale's audited consolidated financial statements as at December 31, 2020; and,
- Flavocure's audited consolidated financial statements as at December 31, 2020 translated into Canadian dollars at a December 31, 2020 spot exchange rate of 1.2732.

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2020 has been prepared from information derived from the following:

- Pinedale's audited consolidated financial statements as at December 31, 2020; and,
- Flavocure's audited consolidated financial statements as at December 31, 2020, translated into Canadian dollars at a twelve-month average exchange rate of 1.3415.

The pro forma adjustments include all those transactions attributable to the Transaction for which the complete financial effects are objectively determinable (Note 3).

The Pro Forma Financial Statements are not intended to reflect the results of operations or the financial position that would have actually resulted had the Transaction been effected on the dates indicated or the results which may be obtained in the future. The Pro Forma Financial Statements should be read in conjunction with the other sections of the Filing Statement.

The pro forma adjustments reflecting the acquisition of Flavocure are based on certain estimates and assumptions. Flavocure's management believes that such assumptions provide a reasonable basis for presenting all of the significant effects of the Transaction contemplated and that the Pro Forma Financial Statement adjustments give appropriate effect to those adjustments and are properly applied in the Pro Forma Financial Statements.

2. Basis of Presentation (continued from previous page)

The Pro Forma Financial Statements are based on estimates and assumptions set forth in the notes herein. The Pro Forma Financial Statements are being provided solely for informational purposes and are not necessarily indicative of Pinedale's future consolidated financial position or of the consolidated financial position that might have been achieved for the periods indicated; nor is it necessarily indicative of future results that may occur. The allocation of the purchase price to reflect the fair values of the assets acquired and liabilities assumed is based on management's estimate of such assets and liabilities and, accordingly, the adjustments that have been included in the Pro Forma Financial Statements as at December 31, 2020 may be subject to change. The final purchase price allocations may differ significantly from the allocations included herein.

3. Pro Forma Assumptions, Adjustments and Estimates

These Pro Forma Financial Statements give effect to the completion of the transactions contemplated by Pinedale and Flavocure as if they had occurred on December 31, 2020 with the following assumptions and adjustments:

- a) For the purposes of these unaudited pro-forma consolidated financial statements, Flavocure has been deemed the acquirer and the purchase consideration is allocated based on fair values of Pinedale's net assets.

The fair value of the consideration is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Pinedale upon completion of the Transaction. This value represents the fair value of the number of shares that Flavocure would have had to issue, being 288,013 for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of Flavocure acquiring 100% of the shares of Pinedale. The fair value of the Transaction is based on the transaction price which was estimated using the proposed common share private placement to be completed by Pinedale of \$0.40 per common share.

The purchase price allocation can be summarized as follows:

288,013 common shares valued at \$0.40 per share	115,205
Total consideration	115,205
Purchase price allocation:	
Net working capital deficiency (Pinedale)	\$ (118,172)
Listing expense on acquisition	233,377
	\$ 115,205

The actual calculation and allocation of the purchase price will be based on the assets purchased and liabilities assumed at the closing date. Accordingly, the actual amounts for each of the assets and liabilities will vary from the pro-forma amounts and the variation may be material.

The Transaction is accounted for as a continuation of Flavocure whereby new shares are issued for the net assets of Pinedale, including the public company listing expense which is deemed to be the difference between the consideration paid for Pinedale shares and the net assets of Pinedale. The share capital, contributed surplus and deficit of Pinedale are charged or credited to the share capital of the consolidated entity and the public company listing expense is a compound of the deficit of the consolidated entity.

- b) In conjunction with the Transaction, it is contemplated that Pinedale will complete a brokered and non-brokered private placement of Subscription Receipts at a price of CDN\$0.40 per Subscription Receipt ("Private Placement") to raise \$3,800,000. Each Subscription Receipt will automatically be exchanged for Pinedale Shares. The agent will receive a 7% cash commission, based on the brokered amount of the Private Placement, approximately \$266,000, plus a corporate finance fee of \$50,000. In addition, the agent will receive a approximately 665,000 agent options, based on 7% of the subscription receipts. The agent options will allow the agent to acquire one common share of Flavocure at a price of \$0.40 for a period of 24 months from the closing of the Transaction. Amounts presented in the Pro Forma Financial Statements are based on the maximum Private Placement. Costs associated with the maximum Private Placement are estimated to be \$325,745, which includes the value assigned to the agent options of \$9,745. The value of agent options was determined using the Black-Scholes Option Pricing Model using the following assumptions: share price \$0.40; exercise price \$0.40; expected life 2 years; forfeiture rate 0%; risk free rate 0.20%; and volatility of 150% based on comparable company average.

Pinedale Energy Limited

Notes to the Unaudited Pro Forma Consolidated Financial Statements

(stated in Canadian Dollars, unless otherwise stated)

As at December 31, 2020

3. Pro Forma Assumptions and Adjustments (continued from previous page)

- c) Pursuant to the Merger Agreement, Pinedale and Flavocure entered into an interest free promissory note in the amount of \$95,490 (USD \$75,000) dated September 18, 2020. This promissory note is an intercompany transaction which has been eliminated on consolidation in the Pro Forma Financial Statements.
- d) The Flavocure Debentures (including all accrued interest on the principal amount being converted) will be convertible, in whole or in part, into units of Flavocure (the "Units"). Each Unit consists of one common share in Flavocure (the "Common Shares") and a warrant to purchase one Common Share (the "Warrants") at a price of \$31.01 (USD \$25) per share. The balance of Flavocure Debentures at December 31, 2020 has been converted to share capital to effect the conversion of the convertible debt in accordance with the Transaction. Flavocure Debentures purchased subsequent to December 31, 2020 in the amount of \$333,475 (USD \$250,000) were included in the conversion of the convertible debt. As at the close of the Transaction, the expected outstanding principal and accrued interest is \$3,795,483 (USD \$3,223,799) for a conversion to 128,952 units.
- e) Pursuant to the Merger Agreement, consolidation of Pinedale Shares at a ratio of one post-consolidation share for every ten outstanding Pinedale Shares immediately prior to the consolidation.
- f) Pursuant to the Merger Agreement, the Flavocure Shares outstanding shall be cancelled and former Flavocure Shareholders shall receive 65 common shares of the resulting issuer for every one Flavocure shares held. These are considered the Shares issued to effect RTO.

4. Pro Forma Share Capital

A continuity of the pro forma consolidated share capital is as follows:

<i>As at September 30, 2020</i>	<i>Note</i>	<i>Number of shares</i>	<i>Amount</i>
Flavocure common shares outstanding prior to RTO		1,000,000	\$ 1,350,004
Pinedale common shares outstanding prior to RTO		112,472,114	5,319,746
Conversion of subscription receipts (maximum)	3(b)	9,500,000	3,800,000
Conversion of convertible debt	3(d)	128,952	3,795,483
Pinedale share consolidation	3(e)	(101,224,903)	-
Shares issued to effect RTO	3(f)	73,381,876	115,205
Elimination of Flavocure shares and Pinedale equity	3(a)	(1,128,952)	(5,319,746)
Share issue costs	3(b)	-	(325,745)
		94,129,087	\$ 8,734,947

EXHIBIT “F”
CERTIFICATE OF FLAVOCURE BIOTECH, INC.

Dated: May 16, 2021

The foregoing as it relates to Flavocure Biotech, Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Flavocure Biotech, Inc.

“Dr. Ngeh Toyang”

Chief Executive Officer

“Anthony Deasey”

Chief Financial Officer

ON BEHALF OF THE BOARD

“Clark Swanson”

Director

“Dr. Philip J. Fagan”

Director

**EXHIBIT “G”
CERTIFICATE OF PINEDALE ENERGY LIMITED**

Dated: May 16, 2021

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Pinedale Energy Limited assuming completion of the Transaction.

“Claus Andrup”

Chief Executive Officer and Chief Financial Officer

ON BEHALF OF THE BOARD

“Claus Andrup”

Director

“Scott Young”

Director

EXHIBIT “H”
SECTION 262 OF THE DGCL

Section 262 Appraisal Rights.

- (a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder’s shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word “stockholder” means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words “stock” and “share” mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words “depository receipt” mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.
- (b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:
- (1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.
- (2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:
- a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;
- b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;
- c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or
- d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.
- (3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

- (c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.
- (d) Appraisal rights shall be perfected as follows:
- (1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or
 - (2) If the merger or consolidation was approved pursuant to §228 or §253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

- (e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.
- (f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.
- (g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.
- (h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates

of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

- (i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and in the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.
- (j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.
- (k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however, that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.
- (l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

EXHIBIT "I"
PINEDALE STOCK OPTION PLAN

PINEDALE ENERGY LIMITED
2017 STOCK OPTION PLAN

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PINEDALE ENERGY LIMITED
(the “Corporation”)

2017 STOCK OPTION PLAN

1. PURPOSE

The purpose of this Plan is to provide an incentive to Eligible Persons, as that term is defined below, to acquire a proprietary interest in the Corporation, to continue their participation in the affairs of the Corporation and to increase their efforts on behalf of the Corporation.

2. DEFINITIONS AND INTERPRETATION

In this Plan, the following words have the following meanings:

- (a) **“Blackout Period”** means a period of time during which the Corporation prohibits Optionees from exercising the Options;
- (b) **“Board”** means the board of directors of the Corporation;
- (c) **“Business Day”** means any day, other than a Saturday, a Sunday or a statutory holiday in Vancouver, British Columbia;
- (d) **“Company”** means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;
- (e) **“Consultant”** means, in relation to the Corporation, an individual (other than an Employee or a Director of the Corporation) or Company that:
 - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an affiliate of the Corporation, other than services provided in relation to a distribution;
 - (ii) provides the services under a written contract between the Corporation or the affiliate and the individual or the Consultant Company, as the case may be;
 - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an affiliate of the Corporation; and
 - (iv) has a relationship with the Corporation or an affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation;
- (f) **“Consultant Company”** means a Consultant that is a Company;
- (g) **“Corporation”** means Pinedale Energy Limited;
- (h) **“Director”** means a director, senior officer or Management Company Employee of the Corporation, or of an unlisted Company seeking a listing on the Exchange, or a director, senior officer or Management Company Employee of the Corporation’s subsidiaries or an unlisted Company’s subsidiary;

- (i) **“Early Expiry Date”** means 4:00 pm local time in Vancouver on:
 - (i) the date fixed by the Board for early expiry of each Option, which date will be no more than one year from the date on which the Optionee ceases to be an Eligible Person for any reason other than death, disability or cause; or
 - (ii) the date that is 90 days from the date on which the Optionee ceases to be an Eligible Person for any reason other than death, disability or cause, if no date is fixed by the Board under (i) above;
- (j) **“Eligible Person”** means a person who is a Director, Employee or Consultant of the Corporation or its subsidiary on the Grant Date;
- (k) **“Employee”** means:
 - (i) an individual who is considered an employee of the Corporation or its subsidiary under the *Income Tax Act* (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);
 - (ii) an individual who works full-time for the Corporation or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for the Corporation or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source;
- (l) **“Exchange”** means the TSX Venture Exchange;
- (m) **“Expiry Date”** means the date so fixed by the Board at the time the Option is awarded;
- (n) **“Grant Date”** means the date of grant of an Option to an Optionee;
- (o) **“Investor Relations Activities”** means any activities, by or on behalf of the Corporation or a shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
 - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:
 - (A) to promote the sale of products or services of the Corporation, or
 - (B) to raise public awareness of the Corporation,that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
 - (ii) activities or communications necessary to comply with the requirements of:
 - (A) applicable Securities Laws, or

- (B) Exchange requirements or the by-laws, rules or other regulatory instruments of any other self-regulatory body or stock exchange having jurisdiction over the Corporation;
- (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:
 - (A) the communication is only through the newspaper, magazine or publication, and
 - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (iv) activities or communications that may be otherwise specified by the Exchange;
- (p) **“Management Company Employee”** means an individual, employed by a Person, providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities;
- (q) **“Material Change”** has the definition prescribed by applicable Securities Laws;
- (r) **“Material Fact”** has the definition prescribed by applicable Securities Laws;
- (s) **“Material Information”** means Material Fact and/or Material Change as defined by applicable Securities Laws and Exchange policy;
- (t) **“Option”** means the option granted to an Optionee under this Plan;
- (u) **“Option Certificate”** means the option certificate in the form attached as Schedule “A” to this Plan and issued to an Optionee;
- (v) **“Option Period”** means the period of time between the Grant Date and the Expiry Date, during which the Option may be exercised subject to any vesting conditions;
- (w) **“Option Price”** is the price at which the Optionee is entitled, pursuant to the Plan and as described in the Option Certificate, to acquire Option Shares;
- (x) **“Option Shares”** means the Shares which the Optionee is entitled to acquire pursuant to this Plan and as described in the Option Certificate;
- (y) **“Optionee”** means an Eligible Person to whom an Option has been granted by the Corporation;
- (z) **“Person”** means an individual or a Company;
- (aa) **“Plan”** means this 2017 Stock Option Plan, as may be amended from time to time in accordance with the provisions hereof;
- (bb) **“Securities Laws”** means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to the Corporation; and
- (cc) **“Shares”** means Class A Common shares in the authorized share capital of the Corporation.

The Plan will be interpreted and construed in accordance with the laws of the Province of British Columbia.

3. ADMINISTRATION

The Plan will be administered by the Board in accordance with the provisions of the Plan and subject to the rules of the Exchange from time to time (as applicable), and the Board will have full authority to:

- (a) determine which Eligible Persons will receive a grant of Options;
- (b) set the Option Price;
- (c) grant Options to Eligible Persons in such amounts and on such terms as the Board may determine;
- (d) set the Expiry Date and the Early Expiry Date for each Option provided that the Expiry Date will be a date that is no later than 10 years from the Grant Date (subject to extension where the Expiry Date falls within a Blackout Period);
- (e) impose vesting conditions on Options; and
- (f) interpret the Plan and make such rules and regulations and establish such procedures as it deems appropriate for the administration of the Plan, taking into consideration the recommendations of management of the Corporation.

The interpretation by the Board of any of the provisions of the Plan will be final and conclusive. No member of the Board will be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board will be entitled to indemnification with respect to any such action or determination.

4. OPTIONEES

Optionees must be Eligible Persons (or companies wholly owned by Eligible Persons) who, in the opinion of the Board, are in a position to contribute to the success of the Corporation. If the Optionee is a Company, excluding Optionees that are Consultant Companies, then such Optionee must:

- (i) provide the Exchange with a completed Form 4F- *Certification and Undertaking Required from a Company Granted an Incentive Stock Option* or similar form required by Securities Laws; and
- (ii) not effect or permit any transfer of ownership or option of shares of the Corporation nor issue further shares of any class in the Corporation to any other individual or entity as long as the Option remains outstanding, except with the written consent of the Exchange.

5. THE OPTION SHARES

- (a) The aggregate number of Option Shares reserved for issuance under the Plan may not exceed 10% of the Corporation's issued and outstanding Shares on the Grant Date (the "**Maximum Number**").
- (b) Options issued prior to the adoption of the Plan will be included in the Maximum Number and will be subject to the terms of the Plan. To the extent of any conflict between the terms of the Plan and any previous terms governing options issued prior to the adoption of the Plan, the terms under the Plan will govern.

6. GRANT OF OPTIONS

Options may be granted by the Board in accordance with the Plan at any time prior to the termination of the Plan. Options granted pursuant to the Plan will be further described in an Option Certificate and will be subject to the following terms and conditions:

(a) Option Price

The Option Price will be determined by the Board in its sole discretion, subject to the following:

- (i) if the Shares are listed on the Exchange, the Option Price will not be lower than the last closing price for the Shares as quoted on the Exchange prior to the Grant Date, less any discount permitted by the Exchange, and provided that the Option Price will not be lower than the “**Discounted Market Price**” (as defined in the policies of the Exchange);
- (ii) if the Shares are newly listed on the Exchange, or the Corporation has just been recalled for trading following a suspension or halt, the Corporation must wait until a satisfactory market has been established before setting the exercise price for and granting the Option. In general, the Exchange will not consider that a satisfactory market has been established until at least 10 trading days have passed since the date of listing or the day on which trading in the Corporation’s securities resumes, as the case may be;
- (iii) if the Shares are not listed on the Exchange, the price will be determined by the Board, subject to the rules or policies of any stock exchange or quotation system on which the Shares are listed;
- (iv) if the Options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those Options will be the greater of the Discounted Market Price and the per share price paid by the public investors for the listed shares acquired under the distribution. The 90 day period begins:
 - (i) on the date a final receipt is issued for the prospectus; or
 - (ii) in the case of an initial public offering, on the date of listing;and
- (v) a minimum Option Price cannot be established unless the Options are allocated to particular Persons. More specifically, the Corporation cannot grant Options unless and until the Options have been allocated to a particular Person or Persons.

(b) Exercise of Options

The Options must be exercised in accordance with the Plan and the Option Certificate and on the terms set out in the resolutions of the Board pursuant to which the grant of the Options are authorized. The Corporation will not be required to issue Option Shares in an amount less than a “**Board Lot**” (as defined in the policies of the Exchange), unless such number of Option Shares represents the balance of the Option Shares. The exercise price of the Option must be paid in cash.

(c) Re-issuance of Options

Options which are exercised, cancelled, or expire prior to exercise continue to be issuable under the Plan.

(d) Blackout Period

The Expiry Date of the Options will be automatically extended by the amount of time set out in this subsection in the event that the Expiry Date falls within a Blackout Period and all of the following conditions exist:

- (i) the Blackout Period is formally imposed by the Corporation pursuant to its internal trading policies as a result of the bona fide existence of undisclosed Material Information. For greater certainty, in the absence of the Corporation formally imposing the Blackout Period, the Expiry Date of the Options will not be automatically extended in any circumstances;
- (ii) the Blackout Period expires upon the general disclosure of the undisclosed Material Information; and
- (iii) the Optionee or the Corporation is not subject to a cease trade order (or similar order under Securities Laws) in respect of the Corporation's securities.

If the Expiry Date falls within a Blackout Period and all of the above conditions exist, then the Expiry Date of the Options affected by the Blackout Period will be extended by the length of the Blackout Period plus ten (10) Business Days.

(e) Transferability of Option

All Options are non-transferable and non-assignable.

(f) Other Terms and Conditions

The Option Certificate may contain such other provisions as the Board deems appropriate, provided such provisions are not inconsistent with the Plan and the requirements of the Exchange.

For as long as the Shares of the Corporation are listed on the Exchange, the Corporation will comply with the following requirements:

- (i) the Corporation may not grant, to any one Consultant, Options to acquire more than an aggregate of 2% of the issued and outstanding Shares of the Corporation in any 12 month period, calculated at the date the Options are granted to the Consultant;
- (ii) the Corporation may not grant, to all Persons retained to provide Investor Relations Activities, Options to acquire more than an aggregate of 2% of the issued and outstanding Shares of the Corporation in any 12 month period, calculated at the date the Options are granted to any such person. For greater certainty persons retained to provide Investor Relations Activities include any Consultant that performs Investor Relations Activities and any Employee or Director whose role and duties primarily consist of Investor Relations Activities;
- (iii) Options issued to persons retained to provide Investor Relations Activities must vest in stages over 12 months with no more than one-quarter of the Options vesting in any three month period;
- (iv) the approval of the disinterested shareholders of the Corporation will be obtained:

- (A) for Options granted to any one Person (including to companies wholly-owned by that Person) within a 12 month period to acquire more than 5% of the issued and outstanding Shares of the Corporation, calculated on the date the Options are granted to the Person;
- (B) for Options which will result in the number of Options granted to Insiders (as a group), within a 12 month period exceeding 10% of the issued and outstanding Shares of the Corporation; and
- (C) for any amendment to or reduction in the Option Price if the Optionee is an Insider of the Corporation at the time of the proposed amendment or reduction.

For the purposes of this subsection, the term “**Insider**” has the meaning assigned in the *Securities Act* (British Columbia) and Options held by an Insider at any point in time that were granted to such Person prior to it becoming an Insider will be considered Options granted to an Insider irrespective of the fact that the Person was not an Insider at the time of grant;

- (v) for Options granted to Employees, Consultants or Management Company Employees of the Corporation, the Corporation and the Optionee will be responsible for ensuring and confirming that the Optionee is a bona fide Employee, Consultant or Management Company Employee of the Corporation, as the case may be;
- (vi) the Corporation must issue a news release disclosing the grant of Options to Insiders or persons retained to provide Investor Relations Activities; and
- (vii) in addition to any resale restrictions under Securities Laws, and any other circumstance for which the Exchange hold period may apply, where Options are granted to Insiders or where the Option Price includes a discount as permitted by the Exchange, the Options and any Option Shares issued on the exercise of such Options must be legended with a four (4) month Exchange hold period commencing on the Grant Date.

7. TERMINATION OF OPTIONS

- (a) All rights to exercise Options will terminate upon the earliest of:

- (i) the Expiry Date; and
- (ii) the date set out in Section 7(b) or (c), as applicable.

- (b) Ceasing to Hold Office

If the Optionee holds his or her Option as a Director and such Optionee ceases to be a Director prior to the end of the Option Period, then the Option will terminate on the Early Expiry Date, unless the Optionee:

- (i) ceases to be a Director as a result of the death or disability of the Optionee, in which case the Option will terminate one year from the date of death or disability of the Optionee;
- (ii) ceases to be a Director:

- (A) as a result of being convicted in or out of British Columbia of an offence in connection with the promotion, formation or management of a corporation or unincorporated business, or of an offence involving fraud; or
- (B) by order of the British Columbia Securities Commission (the “BCSC”), the Exchange or any other regulatory body having jurisdiction to so order;
- (C) where the Director is required to resign as a consequence of ceasing to meet the director qualifications specified in the *Business Corporations Act* (British Columbia);

in which case, the Option will terminate on the date on which the Optionee ceases to be a Director; or

- (iii) remains an Eligible Person, in which case the Board may, in its discretion, allow the Optionee to retain the Option.

(c) Ceasing to be Employed

If the Optionee holds his or her option as an Employee, Consultant or Management Company Employee and such Optionee ceases to be an Employee, Consultant or Management Company Employee prior to the end of the Option Period, then the Option will terminate on the Early Expiry Date, unless the Optionee:

- (i) ceases to be an Employee, Consultant or Management Company Employee as a result of the death or disability of the Optionee, in which case the Option will terminate one year from the date of death or disability of the Optionee;
- (ii) ceases to be an Employee, Consultant or Management Company Employee:
 - (A) as a result of the Corporation terminating the Optionee for cause; or
 - (B) by order of the BCSC, the Exchange or any other regulatory body having jurisdiction to so order,

in which case, the Option will terminate on the date on which the Optionee ceases to be an Employee, Consultant or Management Company Employee; or

- (iii) remains an Eligible Person, in which case the Board may, in its discretion, allow the Optionee to retain the Option.

(d) Vesting on Termination

Unless otherwise provided by the Board, any options that are unvested on the date that the Corporation provides the Optionee with written notice of termination or the Optionee provides the Corporation with written notice of resignation, will automatically terminate on the date of such notice.

(e) Exercise after Death or Disability of Optionee

In the event of the death of an Optionee, the Optionee’s Option must be exercised only by the person or persons to whom the Optionee’s rights under the Option will pass by the Optionee’s

will or the laws of descent and distribution. In the event of the death or disability of an Optionee, the Optionee's Option may be exercised to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death or disability. The period in which the Optionee's Option may be exercise must not exceed one year from the date of the Optionee's death.

8. ADJUSTMENT OF AND CHANGES IN THE OPTION SHARES

- (a) If the Corporation:
- (i) changes its capital structure through stock splits, reverse split, consolidations, recapitalizations, reclassifications, changes in or elimination of par value shares;
 - (ii) declares any dividends or makes other distributions to holders of shares;
 - (iii) grants any rights to purchase shares at prices substantially below the Option Price as determined in accordance with Section 6(a) to holders of shares of the Corporation; or
 - (iv) converts or exchanges its shares for any other securities as a result of a business combination,
- then in any such case the Corporation may make such adjustments in the right to purchase granted hereby which are appropriate and reflective of such event, and as may be required to prevent substantial dilution or enlargement of the rights granted to or available for the Optionee hereunder.
- (b) Options for fractional Option Shares resulting from any adjustment in Options pursuant to this Section 8 will be terminated. Any adjustment will be effective and binding on each Optionee for all purposes of the Plan.

9. CHANGE OF CONTROL

In the event of:

- (a) a business combination in which the Corporation is not the surviving Company;
- (b) the Shares being converted into securities of another entity or exchanged for other consideration;
or
- (c) an offer for 50% or more of shares being made by a third party that constitutes a take-over bid as that term is defined in Multilateral Instrument 62-104 of the Canadian Securities Administrators ("MI 62-104") or would constitute a take-over bid as that term is defined in the MI 62-104 but for the fact that the offeree is not in British Columbia,

all outstanding Options will immediately vest, provided that the acceleration of vesting provisions required by the Exchange is subject to the prior written consent of the Exchange, and provided that if such transaction does not close, all such Options which remain unexercised will be deemed not to have vested. In addition, the Board may make such arrangements as the Board deems appropriate for the exercise of outstanding Options or continuance of outstanding Options in the surviving Company.

10. PAYMENT

- (a) Subject as hereinafter provided, the full purchase price for each of the Option Shares will be paid by money wire, certified cheque or bank draft in favour of the Corporation upon exercise thereof.

An Optionee will have none of the rights of a shareholder in respect of the Option Shares until the shares are issued to such Optionee.

- (b) Upon exercise of an Option, the Optionee will, upon notification of the amount due and prior to the delivery of the certificates representing the Option Shares, pay to the Corporation by money wire, certified cheque or bank draft, such amount as the Corporation will determine is required to be withheld and remitted to Canada Revenue Agency (the “**CRA**”) to satisfy applicable federal and provincial tax and, if applicable, Canada Pension Plan (“**CPP**”) withholding and remittance requirements, or will make alternative arrangements satisfactory to the Corporation (acting in its sole discretion) in respect of such requirements. Such alternative arrangements for satisfying the withholding and remittance requirements may include, but will not be limited to, the following:
 - (i) the Corporation may retain and withhold from any payment of cash due or to become due from the Corporation to the Optionee, whether under this Plan or otherwise, the amount of taxes and, if applicable, CPP contributions, required to be withheld or otherwise deducted and remitted by the Corporation to the CRA in respect of such payment, and will remit the amount so withheld to the CRA, as source deductions withheld by it in respect of the issue of the Option Shares; and
 - (ii) the Corporation may deduct from the Option Shares to be issued to the Optionee, a number of Option Shares (the “**Cashed-Out Shares**”) having a market value of not less than the amount of taxes and, if applicable, CPP contributions, required to be withheld or otherwise deducted and remitted by the Corporation to the CRA in respect of such payment and will remit to the CRA the amount (the “**Cash-Out Amount**”) that is equal to the market value of the Cashed-Out Shares, as source deductions withheld by it in respect of the issue of the Option Shares. The Cashed-Out Shares may be retained or sold by the Corporation. In such cases, the Corporation may, at its sole discretion, elect under s. 110(1.1) of the *Income Tax Act* (Canada) not to deduct the Cash-Out Amount in computing its income for any taxation year.

11. SECURITIES LAW AND EXCHANGE REQUIREMENTS

- (a) No Option will be exercisable in whole or in part, nor will the Corporation be obligated to issue any Option Shares pursuant to the exercise of any such Option, if such exercise and issuance would, in the opinion of counsel for the Corporation, constitute a breach of any applicable laws from time to time, or the rules from time to time of the Exchange. Each Option will be subject to the further requirement that if at any time the Board determines that the listing or qualification of the Option Shares under any securities legislation or other applicable law, or the consent or approval of any governmental or other regulatory body (including the Exchange), is necessary as a condition of, or in connection with, the issue of the Option Shares hereunder, such Option may not be exercised in whole or in part unless such listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Board.
- (b) By accepting and not returning an Option Certificate within five (5) days of receiving it in connection with a grant of Options, an Optionee is deemed to have expressly consented to the disclosure by the Corporation of personal and other information regarding the Optionee to any governmental or other regulatory body (including the Exchange or such other self-regulatory body or stock exchange having jurisdiction over the Corporation). In addition, the Optionee is deemed to have consented to the collection, use and disclosure of personal or other information by such governmental or other regulatory body (including the Exchange or such other self-regulatory body or stock exchange having jurisdiction over the Corporation) for such purposes as may be identified by such governmental or other regulatory body, from time to time.

12. EFFECTIVENESS AND TERMINATION OF PLAN

- (a) The Plan will be effective upon the later of:
 - (i) approval of the shareholders of the Corporation, if such approval is required;
 - (ii) approval of the Board;
 - (iii) acceptance by the Exchange; and
 - (iv) acceptance by any other regulatory authority having jurisdiction over the Corporation's securities.
- (b) The Board may terminate the Plan at any time provided that the Corporation adopts a new stock option plan. Upon termination of the Plan, previously granted Options will be governed by the provisions of the Corporation's stock option plan adopted by the Corporation from time to time.

13. AMENDMENT OF THE PLAN

- (a) The Board may from time to time amend the Plan and the terms and conditions of any Option granted thereunder, provided that any amendment, modification or change to the provisions of the Plan will:
 - (i) not adversely alter or impair any Option previously granted, except as permitted by Section 8 or 9;
 - (ii) be subject to any regulatory approvals, where required, including the approval of the Exchange where necessary;
 - (iii) be subject to shareholder approval in accordance with the rules of the Exchange in circumstances where the amendment, modification or change of the Plan and terms and conditions of any Option would amend the:
 - (A) Eligible Persons who may be granted Options under the Plan;
 - (B) method for determining the Exercise Price of the Options;
 - (C) maximum term of the Options under Section 3;
 - (D) expiry and termination provisions relating to the Options under this Plan;
 - (E) limitations under the Plan on the number of Options that may be granted to any one person or category of persons, including insiders, as set out in this Plan;
 - (F) maximum number or percentage, as the case may be, of Shares that may be reserved under the Plan for issuance pursuant to the exercise of the Options; or
 - (G) amend this Section 13; and
 - (iv) not be subject to shareholder approval in circumstances where the amendment, modification or change of the Plan would:
 - (A) be of a "housekeeping nature", including any amendment to the Plan or an Option that is necessary to comply with applicable laws, tax or accounting

provisions or the requirements of any regulatory authority or the Exchange, and any amendment to the Plan or an Option to correct or rectify any ambiguity, defective provision, error or omission therein, including amendment to any definitions;

- (B) clarify existing provisions of the Plan that do not have the effect of altering the scope, nature and intent of such provisions;
 - (C) be necessary for the Option to qualify for favourable treatment under applicable tax laws;
 - (D) alter, extend or accelerate any vesting terms or conditions in the Plan or any Option; or
 - (E) amend Section 8 or 9;
- (b) Subject to shareholder approval, the Board may from time to time retroactively amend the Plan and, with the consent of the affected Optionee, retroactively amend the terms and conditions of any Options which have previously been granted.

14. MISCELLANEOUS

If there is a discrepancy between the resolution of the Board authorizing the grant of an Option and the Option Certificate, then the board resolution will supersede the Option Certificate and the Option will be as described in the resolution of the Board.

15. SHAREHOLDER APPROVAL

This Plan is subject to the approval of the shareholders of the Corporation yearly at each annual general meeting of the Corporation.

SCHEDULE "A"

PINEDALE ENERGY LIMITED
(the "Corporation")

STOCK OPTION CERTIFICATE
PURSUANT TO THE 2017 STOCK OPTION PLAN

This stock option certificate (this "**Option Certificate**") is issued pursuant to the provisions of the Corporation's 2017 Stock Option Plan as amended or replaced from time to time (the "**Plan**") and evidences that _____ (the "**Optionee**") is the holder of an option to purchase up to _____ Shares in the Corporation at a purchase price of \$ _____ per Share.

The Grant Date of this Option is _____.

The Expiry Date is _____, 20_____.

This Option vests on the following terms:

_____ *(insert N/A if no vesting terms)*

Other Restrictions:

1. This Option Certificate and the Option evidenced hereby will expire and terminate on the date which is the earlier of the Expiry Date and the date set out in section 7(a)(ii) of the Plan.
2. Subject to early expiry as described in paragraph 1 above and any vesting conditions, this Option may be exercised from the Grant Date until 4:00 p.m. local time in Vancouver, British Columbia on the Expiry Date, by delivering to the Corporation an Exercise Notice in the form attached as Schedule "B" to the Plan, together with this Option Certificate and a money wire, certified cheque or bank draft payable to **PINEDALE ENERGY LIMITED** in an amount equal to the total Option Price of the Shares in respect of which this Option is being exercised; provided that the Optionee will have satisfied the conditions precedent, if any, to the exercise of the Option set out in the Plan.
3. This Option Certificate and the Option evidenced hereby is not assignable, transferable or negotiable except in accordance with the provisions of the Plan. This Option Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and records of the Corporation will prevail. The Corporation and the Optionee hereby attorn to the jurisdiction of the Courts of British Columbia.
4. The exercise of this Option is subject to the terms and restrictions set out in the Plan. Terms have the meaning as set out in the Plan.
5. By accepting and not returning this Option Certificate within five (5) days of receiving it, the Optionee expressly consents to the disclosure by the Corporation of personal and other information regarding the Optionee to any governmental or other regulatory body (including the TSX Venture Exchange (the "**Exchange**") or such other self-regulatory body or stock exchange having jurisdiction over the Corporation). In addition, the Optionee consents to the collection, use and disclosure of personal or other information by such governmental or other regulatory body (including the Exchange or such other self-regulatory body or stock exchange having jurisdiction over the Corporation) for such purposes as may be identified by such governmental or other regulatory body, from time to time.

Dated this _____ day of _____.

PINEDALE ENERGY LIMITED

Per:

Authorized Signatory

SCHEDULE "B"
EXERCISE NOTICE

To: The Board of Directors - Stock Option Plan
PINEDALE ENERGY LIMITED (the "Corporation")

The undersigned hereby irrevocably gives notice, pursuant to the Corporation's 2017 Stock Option Plan, of the exercise of the Option to acquire and hereby subscribes for (cross out inapplicable item):

- (a) all of the Shares; or
- (b) _____ of the Shares;

which are the subject of the Option Certificate held by the undersigned evidencing the undersigned's Option to purchase said Shares.

Calculation of total Option Price:

- (i) number of Shares to be acquired _____ Shares
 - (ii) multiplied by the Option Price per Share: \$ _____
- TOTAL OPTION PRICE**, enclosed herewith: \$ _____

The undersigned hereby:

- (a) tenders herewith a certified cheque, bank draft or wire transfer (circle one) in the amount of \$_____ payable to the Corporation in an amount equal to the total Option Price of the aforesaid Shares, as calculated above, and directs the Corporation to issue the share certificate evidencing said Shares in the name of the undersigned to be mailed to the undersigned at the following address; or
- (b) directs the Corporation to deliver the share certificate evidencing said Shares to the undersigned's agent in trust for the undersigned at the address listed below against receipt of a check payable to the Corporation in an amount equal to the total Option Price of the aforesaid Shares, as calculated above.

DATED the _____ day of _____.

Signature of Witness

Signature of Optionee

Name of Witness (please print)

Name of Optionee (please print)