

Pinedale Energy Limited

Management's Discussion and Analysis of Financial Condition and Results of Operations Annual Report – December 31, 2021

The following discussion is management's assessment and analysis of the results and financial condition of Pinedale Energy Limited (the "Company" or "Pinedale"), and should be read in conjunction with the accompanying audited financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is April 25, 2022.

Overview and Outlook

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 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3. The Company is trading on the Toronto Stock Exchange Venture ("TSX-V") under the trading symbol "MCF".

On March 10, 2021 the Company reported the resignation of Gordon Nielsen from the board of directors.

On July 31, 2020, the Company sold its interest in its wholly-owned subsidiary companies with the result that the Company's oil and gas assets and related liabilities were disposed of. The comparative financial statements include the consolidated results of the subsidiaries to the date of disposition.

At December 31, 2021, the Company had cash of \$744 (December 31, 2020 - \$29,661) and working capital deficiency of \$250,319 (December 31, 2020 – \$118,172). 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 \$6,281,997 as at December 31, 2021 (December 31, 2020 – \$6,149,850). 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.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world's equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The current circumstances of COVID-19 are dynamic and management is closely evaluating the impact of COVID-19 on the Company's business operations. The impact of COVID-19 could have a material adverse effect on the Company's financial position, results of operations and cash flows in future periods.

In recognition of these circumstances, management is pursuing business opportunities. There is no assurance that these initiatives will be successful. In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These circumstances indicate material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

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Other 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 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") would continue to carry on the business of Flavocure, was expected to change its name to "Flavocure Biotech, Inc." and was expected to remain listed on the TSX-V.

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

On February 15, 2022, the Company received formal notice that Flavocure had terminated the agreement with respect to a proposed business combination between the Company and Flavocure. As a result of the termination, \$61,250 of prepaid expenses at December 31, 2020 were amortized to legal expenses during the year ended December 31, 2021. As at December 31, 2021, \$126,943 of promissory note owing to Flavocure is payable on demand. The Company is currently negotiating on repayment terms.

Selected Annual Information

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Total assets	\$ 1,471	\$ 92,057	\$ 12,169,654
Total liabilities	\$ 251,790	\$ 210,229	\$ 11,337,767
Total revenue (before royalties)	\$ -	\$ 1,973,557	\$ 6,534,532
Net income (loss) for the year	\$ (132,147)	\$ (240,376)	\$ 1,033,101
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ 0.01

Summary of Quarterly Results

(\$000 except per share amounts)	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	(76)	(11)	(18)	(27)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

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	Q4	Q3	Q2	Q1
(\$000 except per share amounts)	2020	2020	2020	2020
Revenue	\$ 220	\$ -	\$ 663	\$ 1,091
Net income (loss)	(41)	26	(170)	(55)
Basic and diluted income (loss) per share	(0.00)	0.00	(0.00)	(0.00)

Loss and comprehensive loss for Q1 to Q4 2021 remained consistent. The company currently has no operating activities and has reduced its expenditures to the minimum required to remain in good standing.

Overall Performance and Results of Operations

Cash decreased by \$28,917 during the year ended December 31, 2021, due to \$28,917 used in operating activities.

Three months ended December 31, 2021 and 2020

Net loss and comprehensive loss for the three months ended December 31, 2021, increased by \$33,242 from \$42,301 for the three months ended December 31, 2020, to \$75,543 for the three months ended December 31, 2021. The increase in net loss and comprehensive loss is largely due to:

- An increase of \$34,145 in professional fees. Professional fees were \$66,993 for the three months ended December 31, 2021, compared to \$32,848 for the three months ended December 31, 2020. The increase was due to legal fees related to the terminated Flavocure transaction.
- A decrease of \$159,068 in net gain on disposal of subsidiary. There was a net gain of \$159,068 recorded during the three months ended December 31, 2020, as the Company disposed of its oil and gas assets and related liabilities as at July 31, 2020.
- A decrease of \$29,467 in gain from discontinued operations. There was a gain of \$29,467 recorded during the three months ended December 31, 2020, as the Company disposed of its oil and gas assets and related liabilities as at July 31, 2020.

The increase in loss was partially offset by:

- A decrease of \$17,397 in share-based compensation. Share-based compensation were \$nil for the three months ended December 31, 2021, compared to \$17,397 for the three months ended December 31, 2020.
- A decrease of \$160,414 in interest expense. Interest expense were \$nil for the three months ended December 31, 2021, compared to \$160,414 for the three months ended December 31, 2020. Interest expense in the prior comparative period related to interest-bearing promissory note and long-term debt settled during the year ended December 31, 2020.

Years ended December 31, 2021 and 2020

Net loss and comprehensive loss for the years ended December 31, 2021, decreased by \$841,003 from \$973,150 for the year ended December 31, 2020, to \$132,147 for the year ended December 31, 2021. The decrease in net loss and comprehensive loss is largely due to:

- A decrease of \$23,091 in share-based compensation. Share-based compensation were \$nil for the year ended December 31, 2021, compared to \$23,091 for the year ended December 31, 2020.
- A decrease of \$160,414 in interest expense. Interest expense were \$nil for the year ended December 31, 2021, compared to \$160,414 for the year ended December 31, 2020. Interest expense in the prior comparative year related to interest-bearing promissory note and long-term debt settled during the year ended December 31, 2020.

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- A decrease of \$147,281 in loss from discontinued operations. There was a loss of \$147,281 recorded during the year ended December 31, 2020, as the Company disposed of its oil and gas assets and related liabilities as at July 31, 2020.
- A decrease of \$732,774 in exchange differences from translation of foreign operations. There was a loss of \$732,774 recorded during the year ended December 31, 2020, as the Company disposed of its oil and gas assets and related liabilities as at July 31, 2020.

The decrease in loss was partially offset by:

- A decrease of \$242,211 in net gain on disposal of subsidiary. There was a net gain of \$242,211 recorded during the year ended December 31, 2020, as the Company disposed of its oil and gas assets and related liabilities as at July 31, 2020.

Liquidity and Capital Resources

As at December 31, 2021, the Company had working capital deficiency of \$250,319 and cash of \$744 to settle current liabilities of \$251,790. The Company recorded a loss of \$132,147 during the year ended December 31, 2021, and had total shareholders' deficiency of \$250,319 as at December 31, 2021. These conditions cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources in order to fund ongoing operating expenditures and the Company's business plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future.

The sources of funds currently available to the Company are due from debt and equity financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Outstanding Share Data

The Company has authorized an unlimited number of voting Class A and B common shares without par value.

As at December 31, 2021 and the date of this report, there were 112,472,114 Class A shares outstanding, no Class B shares outstanding, no share options outstanding and exercisable, and 10,000,000 warrants outstanding and exercisable.

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.

	Years ended December 31,	
	2021	2020
Interest on promissory notes	\$ -	\$ 72,639
Consulting fees	-	84,000
Directors' fees	28,710	27,484
Share-based compensation	-	15,394
	\$ 28,710	\$ 199,517

\$4,000,000 promissory note was payable to two former Directors of the Company, at agreed upon terms and was settled during the year ended December 31, 2020. During the year ended December 31, 2021, the Company paid \$nil (2020 – \$72,639) in interest on the promissory note. No additional promissory note was issued to key management during the year ended December 31, 2021.

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As at December 31, 2021, accounts payable and accrued liabilities included \$54,603 (2020 - \$24,658) payable to these related parties.

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 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 \$132,147 for the year ended December 31, 2021, and as of that date, the Company had a deficit of \$6,281,997 and working capital deficiency of \$250,319. 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 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.

Critical Accounting Policies and Estimates

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's financial statements as at and for the year ended December 31, 2021.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Financial Instruments

Financial Risk Management

Cash, amounts payable and accrued liabilities, and promissory notes are held at amortized cost which approximates fair value due to the short-term nature of these instruments.

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Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash and amounts receivable.

Liquidity Risk

At December 31, 2021, the Company had cash of \$744 to settle current liabilities of \$251,790, and had a working capital deficit of \$250,319. Management has concluded that the Company does not have adequate financial resources to settle obligations as at December 31, 2021, and will require additional funding to continue operations for the next twelve months (Note 1).

Market Risk

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

I. 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.

II. 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.

III. Equity Price Risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.