Pennine Petroleum Corporation
Condensed Interim Financial Statements
September 30, 2017
(Unaudited)

Contents

Notice for National Instrument 51-102

The interim condensed financial statements and notes thereto for the three and nine months ended September 30, 2017 are prepared by management and have not been independently audited or reviewed by the Company's auditors.

Pennine Petroleum Corporation
Condensed Statements of Financial Position

As at	Notes		September 30, 2017		December 31, 2016
Assets					
Current					
Cash		**$**	**501,197**	$	27,528
Accounts receivable			**29,248**		22,410
Goods and services tax receivable			**6,369**		3,702
Deposits and prepaid expenses			**30,258**		28,579
			567,072		82,219
Restricted cash	**5**		**-**		24,893
Property and equipment	**3**		**204,868**		208,926
		$	**771,940**	$	316,038

Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**15,138**	$	75,226
Promissory notes payable	**4**		**60,000**		-
Decommissioning liability	**5**		**469,380**		537,733
			544,518		612,959
Shareholders' Equity (Deficiency)					
Share capital	**6**		**8,301,219**		7,174,094
Contributed surplus			**1,086,768**		979,747
Deficit			**(9,160,565)**		(8,450,762)
			227,422		(296,921)
		$	**771,940**	$	316,038

The accompanying notes are an integral part of these condensed financial statements.

Pennine Petroleum Corporation
Condensed Statements of Operations and Comprehensive Loss

	Notes	For the three month period ended September 30, 2017	2016	For the nine month period ended September 30, 2017	2016
Oil and natural gas		**$ 25,073**	$ 23,783	**$ 82,833**	$ 60,281
Other		**50**	17	**143**	17
Royalties		**227**	(332)	**(1,457)**	(3,060)
		25,350	23,468	**81,519**	57,238
Expenses					
Operating		**(16,528)**	25,311	**82,705**	74,773
Transportation		**3,389**	6,819	**10,011**	12,860
Administrative		**181,115**	67,378	**592,051**	253,644
Share based payment		**7,000**	9,800	**29,400**	41,200
Financing costs	**5**	**3,025**	6,524	**72,098**	26,216
Gain on disposition of oil and gas properties	**4**	**-**	-	**-**	(26,176)
Depletion, depreciation and impairment	**4**	**1,196**	2,519	**5,057**	7,639
		179,197	118,351	**791,322**	390,156
Net loss and comprehensive loss for the period		**$ (153,847)**	$ (94,883)	**$ (709,803)**	$ (332,918)
Loss per share					
- basic and diluted		**$ (0.000)**	$ (0.000)	**$ (0.005)**	$ (0.003)
Weighted average shares outstanding					
- basic and diluted *(1)*		**159,286,503**	126,719,163	**153,585,237**	110,490,241

(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.

The accompanying notes are an integral part of these condensed financial statements.

	Share Capital	Contributed Surplus	Deficit	Total Equity (Deficiency)
Balance January 1, 2017	$ 7,174,094	$ 979,747	$ (8,450,762)	$ (296,921)
Net loss for the period	-	-	(709,803)	(709,803)
Common shares and fair value of the warrants value issued in the private placement and warrant exercise	1,106,146	-	-	1,106,146
Issue of shares in contract amendment	40,000	-	-	40,000
Warrant extension	58,600	-	-	58,600
Expiry of warrants	(77,621)	77,621	-	-
Share based compensation	-	29,400	-	29,400
Balance September 30, 2017	$ 8,301,219	$ 1,086,768	$ (9,160,565)	$ 227,422

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance January 1, 2016	$ 6,528,813	$ 756,007	$ (7,135,233)	$ 149,587
Net loss for the period	-	-	(332,918)	(332,918)
Common shares and fair value of the warrants value issued in the private placement	694,081	-	-	694,081
Expiry of warrants	(48,800)	48,800	-	-
Share based compensation	-	41,200	-	41,200
Balance September 30, 2016	$ 7,174,094	$ 846,007	$ (7,468,151)	$ 551,950

The accompanying notes are an integral part of these condensed financial statements.

Pennine Petroleum Corporation
Condensed Statements of Cash Flows

For the nine months ended September 30,		2017		2016
Cash flows from (used in) operating activities				
Net loss for the period	$	(709,803)	$	(332,918)
Items not involving cash:				
Depletion, depreciation and impairment		5,057		7,639
Gain on disposition of oil and gas properties		-		(26,176)
Change in estimate of abandonment expenditures impaired		(21,448)		-
Contract amendment settled in common shares		40,000		-
Warrant extension		58,600		-
Financing cost accretion		8,678		14,674
Share based payments		29,400		41,200
Changes in non-cash working capital balances:		(71,274)		(86,278)
Abandonment expenditures		(55,581)		-
Cash flow used in operating activities		(716,371)		(381,859)
Cash flows from (used in) financing activities				
Promissory notes		60,000		-
Issue of common shares net of share issuance costs		1,106,146		466,105
Cash flow from financing activities		1,166,146		466,105
Cash flows from (used in) Investing activities				
Expenditures on exploration and evaluation		-		(31,148)
Expenditures on property and equipment		(999)		(7,300)
Proceeds on sale of property and equipment		-		42,500
Restricted cash		24,893		(24,847)
Cash flow used in investing activities		23,894		(20,795)
Increase in cash		473,669		63,451
Cash, beginning of period		27,528		79,453
Cash, end of period	$	501,197	$	142,904
Supplemental information				
Interest paid	$	-	$	-
Taxes paid	$	-	$	-

The accompanying notes are an integral part of these condensed financial statements.

1. Corporate Information

Pennine Petroleum Corporation ("Pennine" or "the Company") is a public junior oil and gas company engaged in the evaluation, acquisition, exploration and development of oil and gas properties in Western Canada. The Company's shares trade on the TSX Venture Exchange under the symbol PNN.

Pennine was incorporated under the *Business Corporations Act* (Alberta) on September 18, 2001. The head office is located at 315 39th Avenue SE, Calgary, Alberta, T2G 1X5 and the registered office is located at Suite 3700, 400 – 3rd Street SW, Calgary, Alberta, T2P 4H2.

2. Basis of Presentation

Statement of compliance

These condensed interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These financial statements were authorized for issue by the Board of Directors on November 24, 2017. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited financial statements for the year ended December 31, 2016.

Going concern assumption

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, generate sufficient funds therefrom, receive continued support from its creditors and continue to obtain capital from investors sufficient to meet its current and future obligations. As at September 30, 2017, the Company had a working capital surplus of $491,934 inclusive of long-term payables, has a deficit of $9,160,565 and incurred a net loss of $709,803 during the period. Management continues to focus its efforts on completing a reorganization of the Company, raising additional capital through the sale of certain assets or through debt or equity financings. The Company closed a $1,019,300 private placement in May 2017 (Note 6(b)).

In order to fund the Company's Albanian endeavor's, in May 2017, the Company entered into a credit facility for up to $2-million with Ionian Refining and Trading Co. BVI (IRTC). Any funds drawn down as part of the credit facility will be subject to an agreed-upon interest rate. The principal and interest of a loan are convertible into units at six cents per unit. The unit consists of one share and one warrant convertible into a share at 10 cents for a period of one year from issuance. Repayment terms and conditions will be determined if and when any funds are requested as part of the credit facility. Proceeds from the financing may also be used to develop domestic operations and general purpose activities.

Although management's efforts to raise capital and monetize assets have been successful in the past, there is no certainty that they will be able to do so in the future. The aforementioned circumstances may create significant doubt as to the ability of the Company to meets its obligations as they come due. These financial statements have been prepared using accounting principles that are applied to a going concern and do not reflect the adjustments that would be necessary to the presentation and carrying amounts of the assets and liabilities if the Company were not able to continue operations. These adjustments and reclassifications may be material.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of Presentation - continued

Basis of measurement
These Financial Statements have been prepared on a historical cost basis except for financial instruments and share based payment transactions that are measured at fair value.

Use of estimates and judgments
The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these financial statements are as follows:

Going concern
Professional judgment is used in determining if the Company is a going concern. Significant areas of judgment include future expected cash flows, including capital expenditures, commitments, expenses and expected cash inflows. Judgment is also applied when assessing the terms and conditions of financing available for the Company. Changes in operational results and conditions on potential financing deals may require revisions to the original estimates.

Impairment of exploration and evaluation assets
Exploration and evaluation assets require judgment as to whether future economic benefits exist, including the existence of proven or probable reserves and the ability to finance exploration and evaluation projects, where technical feasibility and commercial viability has not yet been determined.

Depletion, impairment and reserves
The amounts recorded for depletion and impairment are based on estimates of proved and probable reserves. Assumptions that are valid at the time of reserve estimation may change materially as new information becomes available. Changes in forward price estimates, production and future development costs, recovery rates or decommissioning costs may change the economic status of reserves and may ultimately result in reserves used for measurement purposes being removed from similar calculations in future reporting periods.

Cash Generating Unit ("CGU")
IFRS requires that the Company's oil and natural gas properties be aggregated into CGUs, based on their ability to generate largely independent cash flows, which are used to assess the properties for impairment. The determination of the Company's CGUs is subject to management's judgment. The Company's assets are currently held in two CGU's.

Decommissioning obligations
Measurement of the Company's decommissioning liability involves estimates as to the cost and timing of incurrence of future decommissioning programs. It also involves assessment of appropriate discount rates, rates of inflation applicable to future costs and the rate used to measure the accretion charge for each reporting period. Measurement of the liability also reflects current engineering methodologies as well as current and expected future environmental legislation and standards.

Share-based compensation and warrants
Grants of stock options and warrants require an estimate of the fair value of those instruments at time of issue. The estimate involves assumptions regarding the life of the option or warrant, dividend yields, interest rates, and volatility of the Company's common shares. The charge is measured using the Black-Scholes option pricing model, which could be replaced by a pricing model producing different results.

2. Basis of Presentation - continued

Income taxes
The Company recognises deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and that sufficient taxable income will be generated in the future to recover such deferred tax assets. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

3. Property and Equipment

Balance, January 1, 2017	$	341,218
Additions		999
Balance, September 30, 2017	$	342,217
Balance, January 1, 2017	$	(132,292)
Depletion		(5,057)
Balance, September 30, 2017	$	(137,349)
Balance January 1, 2017	$	208,926
Balance September 30, 2017	$	204,868

The depletion, depreciation and impairment of property, plant and equipment, and any eventual reversal thereof, are recognized in earnings. At September 30, 2017, the Company included $Nil of future development costs (December 31, 2016 – $Nil) in the net carrying value of development or production assets subject to depletion as those costs are necessary to bring the proved and probable reserves into production. At September 30, 2017, no impairment indicators existed therefore no impairment test was performed.

4. Promissory Notes

In March 2017, the Company issued two secured convertible promissory notes in the amount of $60,000 to directors of the Company. The notes will reach maturity on March 21, 2019, and have a five percent per year interest coupon. The principal may be converted into units at five cents per unit. Each unit consists of one common share and a share purchase warrant exercisable for a share of the Company at five cents for a period of one year from issue.

5. Decommissioning Liability

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the decommissioning of oil and gas properties.

	September 30, 2017	December 31, 2016
Obligation, beginning of period	$ 537,733	$ 728,261
Settlement	(55,583)	-
Change in estimated cash flows	(21,448)	(136,862)
Disposition	-	(73,304)
Accretion expenses	8,678	19,638
Obligation, end of period	$ 469,380	$ 537,733

The obligation was calculated using a risk free discount rate of 1.5% and an inflation rate of 2.5%. It is expected that the majority of costs are expected to occur between 2023 and 2034. The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $527,000.

At December 31, 2016, pursuant to government regulations, the Company was required to pay a $24,893 deposit with respect to the Company's Liability Rating Management ("LMR"). The Company received the deposit in 2017 with interest. The deposit was held by a Canadian Chartered Bank with interest paid to the Company on a monthly basis based on the bank's deposit rate.

6. Share Capital

(a) Authorized
Unlimited number of:
Common shares without par value
Non-voting shares without par value
First and second preferred shares, assumable in series

(b) Issued

	September 30, 2017		December 31, 2016	
Common shares	**Shares**	**Amounts**	Shares	Amounts
Balance beginning of period	137,901,527	$ 6,997,354	101,319,027	$ 6,412,813
Warrants exercised	3,429,250	181,404	-	-
Private placement *(i)*	16,988,335	981,000	24,817,500	424,850
Contract amendment *(iv)*	1,000,000	40,000	-	-
Conversion of loans payable	-	-	11,765,000	201,300
Share issue costs	-	(87,216)	-	(41,609)
Balance end of period	159,319,112	8,112,542	137,901,527	6,997,354
Warrants				
Balance beginning of period	47,970,500	176,740	37,132,417	116,000
Exercised	(3,429,250)	(9,942)	-	-
Private placement *(i)*	16,988,335	38,300	24,817,500	71,500
Warrant extension *(ii)*	-	58,600		
Conversion of loans payable	-	-	11,765,000	34,000
Finder's fee warrants *(iii)*	1,159,066	2,600	1,388,000	4,040
Expired	(13,594,500)	(77,621)	(27,132,417)	(48,800)
Balance end of period	49,094,151	186,677	47,970,500	176,740
		$ 8,301,219		$ 7,174,094

6. Share Capital - continued

(i) In May 2017, the Company closed a private placement of 16,988,335 units at $0.06 per unit. Each unit consisted of one common share and one share purchase warrant with each warrant being exercisable at $0.10, expiring one year from the date of issuance. The fair value of the warrants was estimated at $38,300 and was determined using the Black-Scholes option pricing model with the following assumptions dividend yield – Nil, expected volatility 65%, risk free rate of return 0.50%, weighted average life – 1.0 year. The Company incurred $84,616 of commissions and professional costs with respect to the private placement.

(ii) On June 30, 2017, the Company extended the expiry date of 30,946,750 warrants from August 4, 2017 to January 4, 2018. The fair value of the warrant extension was estimated at $58,600 and was determined using the Black-Scholes option pricing model with the following assumptions dividend yield – Nil, expected volatility 48%, risk free rate of return 0.50%, weighted average life – 0.33 years.

(iii) The fair value of the finder's fees warrants was estimated at $2,600 and was determined using the Black-Scholes option pricing model with the following assumptions dividend yield – Nil, expected volatility 65%, risk free rate of return 0.50%, weighted average life – 1.0 year.

(iv) On July 3, 2017, the Company issued 1,000,000 shares to an Executive Officer pursuant to a renegotiation of the employment agreement.

(c) Stock options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. Options currently granted under the plan vest immediately. The options are non-transferable if not exercised. The exercise price is based on the Company's common shares prior to the day of the grant, which may be different from the closing price of such shares on the day of grant for options granted to date. To date the exercise price has not been materially different from the trading price of the shares on the grant date. A summary of the status of the Company's stock option plan as at September 30, 2017 and December 31, 2016 and changes during the respective periods ended on those dates is presented below:

	September 30, 2017		December 31, 2016	
Stock Options	**Number of options**	**Weighted average Exercise price**	Number of Options	Weighted average exercise price
Beginning of period	**13,268,986**	**$0.05**	7,538,986	$0.06
Granted	**750,000**	**$0.06**	7,280,000	$0.06
Expired and forfeited	**(2,520,000)**	**$0.05**	(1,550,000)	$0.09
End of period	**11,498,986**	**$0.06**	13,268,986	$0.05
Exercisable, end of period	**11,498,986**	**$0.06**	13,268,986	$0.05

Date of Grant	**Number Outstanding**	**Exercise Price**	**Weighted Average Remaining Contractual Life**	**Date of Expiry**	**Number Exercisable September 30, 2017**
April 2, 2014	3,323,986	$0.05	1.50 years	April 2, 2019	3,323,986
September 15, 2014	1,305,000	$0.05	1.96 years	September 15, 2019	1,305,000
January 11, 2016	2,220,000	$0.05	4.28 years	January 11, 2021	2,220,000
December 14, 2016	3,900,000	$0.06	4.21 years	December 14, 2021	3,900,000
May 8, 2017	500,000	$0.06	4.61 years	May 9, 2022	500,000
July 3, 2017	250,000	$0.06	4.51 years	July 3, 2022	250,000
	11,498,986		3.18 years		11,498,986

(d) Warrants

The following table summarizes the warrants outstanding and exercisable at September 30, 2017:

Number of warrants	Exercise price	Expiry date
30,512,500	$0.05	January 4, 2018
434,250	$0.05	January 4, 2018
16,988,335	$0.10	May 18, 2018
1,159,066	$0.10	May 18, 2018
49,094,151		

7. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to, credit and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Commodity price risk

The Company is subject to commodity price risk for the sale of its production. The Company may enter into contracts for risk management purposes only, in order to protect a portion of its future cash flow from the volatility of petroleum commodity prices. To date the Company has not entered into any forward commodity contracts.

(b) Credit Risk

Credit risk is the risk of a financial loss as a result of a failure by counter parties to discharge their obligations. A majority of the Company's current financial assets at the balance sheet date arise from oil sales and the Company's accounts receivable are with these customers and joint venture participants in the oil and natural gas industry. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production. The Company's production is sold to large marketing companies. Typically, the Company's maximum credit exposure to customers is revenue from two months of sales. During the period ended September 30, 2017, the Company sold approximately 94% of its oil production to a single purchaser. At September 30, 2017, $16,289 (2016 - $17,137) is due from its marketers. These sales were conducted on transaction terms that are typical for the sale of oil in Canada. In addition, when joint operations are conducted on behalf of a joint venture partner relating to capital expenditures, costs of such operations are paid for in advance to the Company by way of a cash call by the partner of the operation being conducted.

Management assesses quarterly if there should be any impairment of the financial assets of the Company. At September 30, 2017, the Company had $7,264 (2016 - $2,249) of overdue accounts receivable. During the period ended September 30, 2017, management has determined that no allowance is required on the accounts receivable. At September 30, 2017, the Company's two largest joint venture partners represented approximately 56% (2016 - 70%) and 30% (2016 - 23%) of the Company's account receivable balance respectively.

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of cash, accounts receivable, restricted cash and deposits.

(c) Market Risk

Market risk is comprised of two components: currency risk and interest rate risk.

(d) Foreign Currency Exchange Risk

The Company does not sell or transact in any foreign currency however, the US dollar influences the price of petroleum and natural gas sold in Canada. Price fluctuations, as a result can affect the fair value of the Company's property and equipment and future cash flows however, given it is an indirect influence, the impact of changing exchange rates cannot be accurately quantified. The Company's other financial assets and liabilities are not directly affected by a change in currency rates.

(e) Interest Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company was not exposed to material interest rate cash flow risk in 2017 or 2016.

7. Financial Instruments - continued

(f) Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its exploration and development programs. The Company endeavors to have sufficient working capital available to meet its day-to-day commitments. As at September 30, 2017, management estimates that funds available will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2018 (Note 2).

Any funding shortfall may be met in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners. While management has been successful in securing financing in the past, there can be no assurance it will be able to continue to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

8. Subsequent Events

Except as disclosed elsewhere in these financial statements the Company has the following subsequent events:

In February 2017, Pennine finalized terms of a Velca block production sharing agreement ("PSA") with the Albanian government and Albpetrol Sh A, the country's state-owned energy firm, acquiring a 90 percent working interest. The PSA covers a six-year term, with potential conversion to a 25-year production lease upon discovery of one or more commercial oil or natural gas accumulations. On November 22, 2017, Pennine received final approval from the Ministers of the Republic of Albania with respect to the PSA for research, development and production of hydrocarbons in Albania's Velca block.